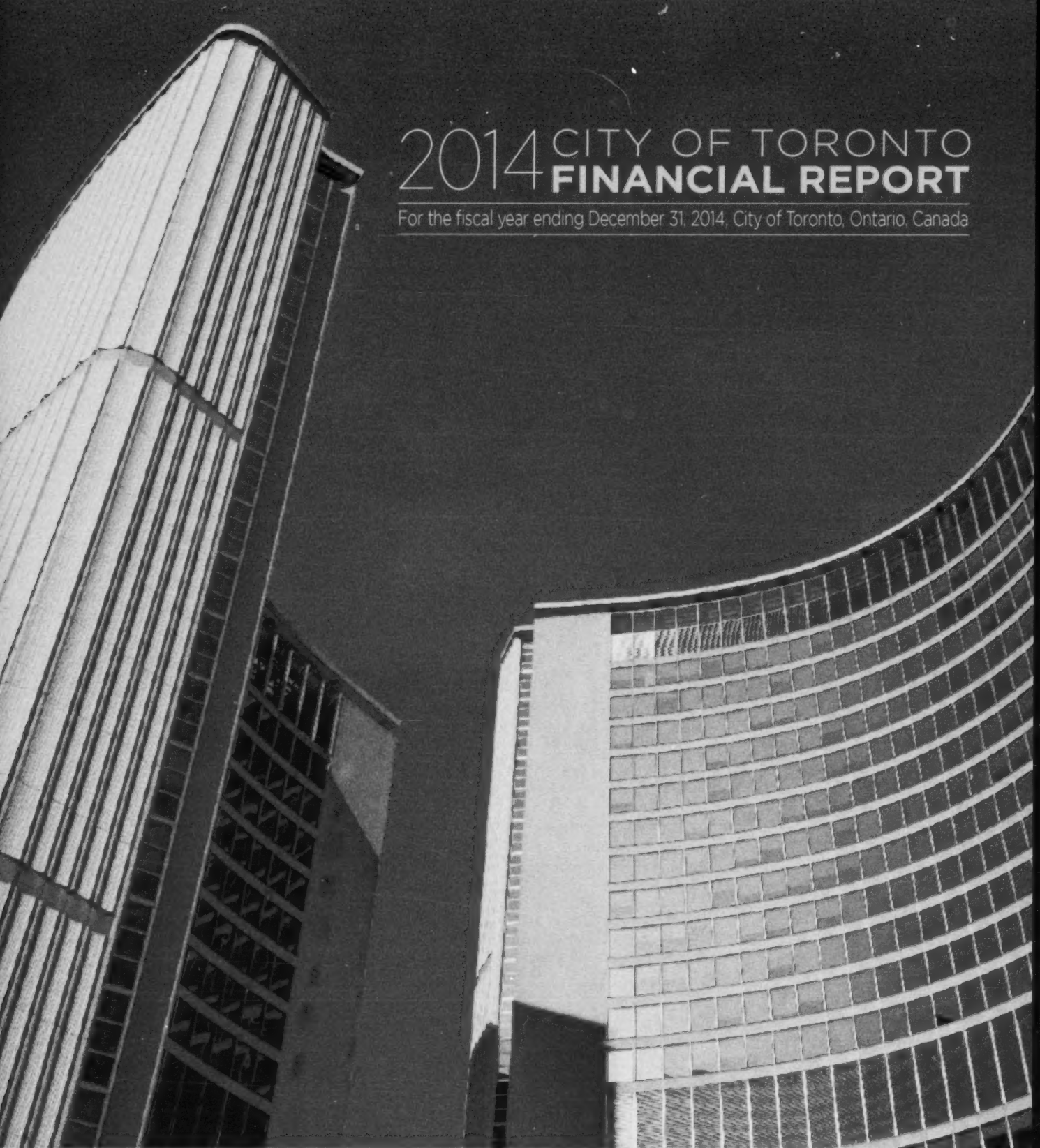

2014 CITY OF TORONTO FINANCIAL REPORT

For the fiscal year ending December 31, 2014, City of Toronto, Ontario, Canada

TORONTO

2014 CITY OF TORONTO **FINANCIAL REPORT**

For the fiscal year ending December 31, 2014

City of Toronto, Ontario, Canada

This report was prepared by:
The City of Toronto, Accounting Services, Corporate Finance,
Design Services and Strategic Communications

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Government Finance Officers Association

Canadian Award for Financial Reporting

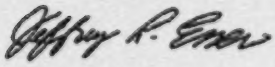
Presented to

City of Toronto

Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2013



Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Canadian Award of Financial Reporting to the City of Toronto for its annual financial report for the fiscal year ended December 31, 2013. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. The City of Toronto is continuing this standard of high quality reporting for the submission and evaluation to the GFOA for the 2014 Award Program.

A message from the Toronto Mayor

John Tory

On October 27, 2014, Torontonians turned out in record numbers to decide the future direction of their city. Since my election into office, I have been working diligently with City Council on the priorities that matter most to our residents and businesses: better transit, better housing, more jobs and an end to traffic gridlock on our streets.

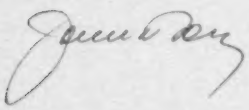
Work continues as planned on new transit lines, including the Scarborough Subway. A detailed analysis of SmartTrack has begun, and we hope to be moving forward on this important project in the very near future. We have restored service along routes that were previously cut and, where possible, sourcing necessary vehicles to make an immediate impact and get Toronto moving again.

As Toronto's new mayor, I will continue to work diligently and respectfully with City Council and with the federal and provincial governments to get the results that all Torontonians deserve.

With strong leadership and partnerships, we can, and will, move this city forward by improving transit and transportation, and on making key investments to help families and support the city's most vulnerable residents.

Together with my colleagues on City Council we will focus on making these investments, ensuring fiscal responsibility and sustainability and in getting Toronto moving.

Sincerely,



Mayor John Tory
City of Toronto

A message from the City Manager

Peter Wallace

I am pleased to present the City of Toronto's 2014 Annual Financial Report. This report provides details about the City's financial performance, progress and achievements in the past year.

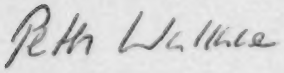
When City Council approved the 2014 tax supported Operating Budget and the tax supported 2014–2023 Capital Budget and Plan in January, it committed to enhanced services and programs, improving infrastructure and continuing to invest in Toronto's future. The budget's major investments align with the City's strategic actions by providing additional funding for transit, roads, housing and recreational facilities. It also maintains the City's fiscal health by limiting the net operating expenditures to a 1.1 per cent increase over the 2013 approved operating budget. As well, Council approved a special tax levy to support construction of the Scarborough Subway Extension.

In June, City Council unanimously approved the creation of the Toronto Public Service By-law, unique legislation providing a clear delineation between the political and public service roles within Toronto's government. This was a key Strategic Action (#15) affirmed by City Council last year. The by-law, a first for a Canadian municipality, defines the roles and responsibilities of the public service, ensuring that City and Agency employees provide impartial advice to government, and setting out the ethical rights, duties and protections for the public service.

I would also like to thank all of the staff and members of the public who worked diligently to ensure that the 2014 municipal election was successfully planned and administered.

The City of Toronto was recognized as one of the Greater Toronto Area's Top 100 Employers. This designation recognizes the City as an exceptional place to work, which will assist us in attracting and retaining the type of skilled and diverse workforce we value and will require for the years ahead.

As the proud host of the 2015 Pan Am/Parapan Am games, the Toronto Public Service will continue to work hard to ensure the City of Toronto's financial sustainability and invest in infrastructure and quality of life for its residents.



Peter Wallace
City Manager

2014 INTRODUCTION

CITY OF TORONTO FINANCIAL REPORT

Profile on Toronto

Toronto in World Rankings

Toronto is one of the most liveable and competitive cities in the world as demonstrated by various international rankings and reports. In addition to securing its position on the world stage, Toronto's rankings confirm that it continues to offer a high quality of life for the 2.8 million residents who choose to live and work here.

Best Place to Live – Economist Intelligence Unit
The Economist

According to the Economist Intelligence Unit, the City of Toronto is the best place to live among 50 global cities included in the study. The survey evaluated safety, liveability, cost of living, business environment, democracy and global food security.

Best City to Invest in Real Estate in the Long Term (Most Resilient City)
Grosvenor Group

According to Grosvenor Group, a U.K.-based real estate developer, the City of Toronto is the best bet for long-term investment in real estate according to their global resiliency ranking of 50 global cities. In fact, Canadian cities (Toronto, Vancouver and Calgary) were ranked as the top three cities based on a combination of low vulnerability and high adaptive capacity. Also according to the research, Canadian cities are well governed and well planned.

Most High-Rise Buildings Under Construction in North America
Emporis, SkyscraperPage

According to Emporis, a global provider of building information and SkyscaperPage.com, a web-based database of scale-model illustrations and diagrams of skyscrapers, Toronto continues to have the most high-rise buildings under construction in North America, maintaining a lead in the rankings over second ranked New York City and third ranked Mexico City.

Most Tax-Competitive Major Global City
KPMG

According to KPMG, in a report entitled "Competitive Alternatives 2014: Focus on Tax", Toronto ranked first overall among 51 major international cities studied. The study assessed tax competitiveness by comparing various tax rates in each location including: corporate income tax, property taxes, capital taxes, sales taxes, miscellaneous local business taxes and statutory labour costs.

2nd Best Reputation of 100 Cities Worldwide
Reputation Institute

Toronto ranked second behind Sydney, Australia in an annual study, comparing the reputations of 100 cities worldwide, recently issued by the Reputation Institute. The annual study surveyed more than 22,000 people from the G8 countries and ranked the world's 100 most reputable cities based on levels of trust, esteem, admiration and respect, as well as perceptions regarding 13 attributes. The three key dimensions of the study are an advanced economy, appealing environment and effective government. The study results confirm the links between city reputations and economic outcomes, while also highlighting the key drivers of a good reputation. Toronto ranked as the top city to work in, the second most attractive city to live in, and the seventh highest ranked city in the invest category.

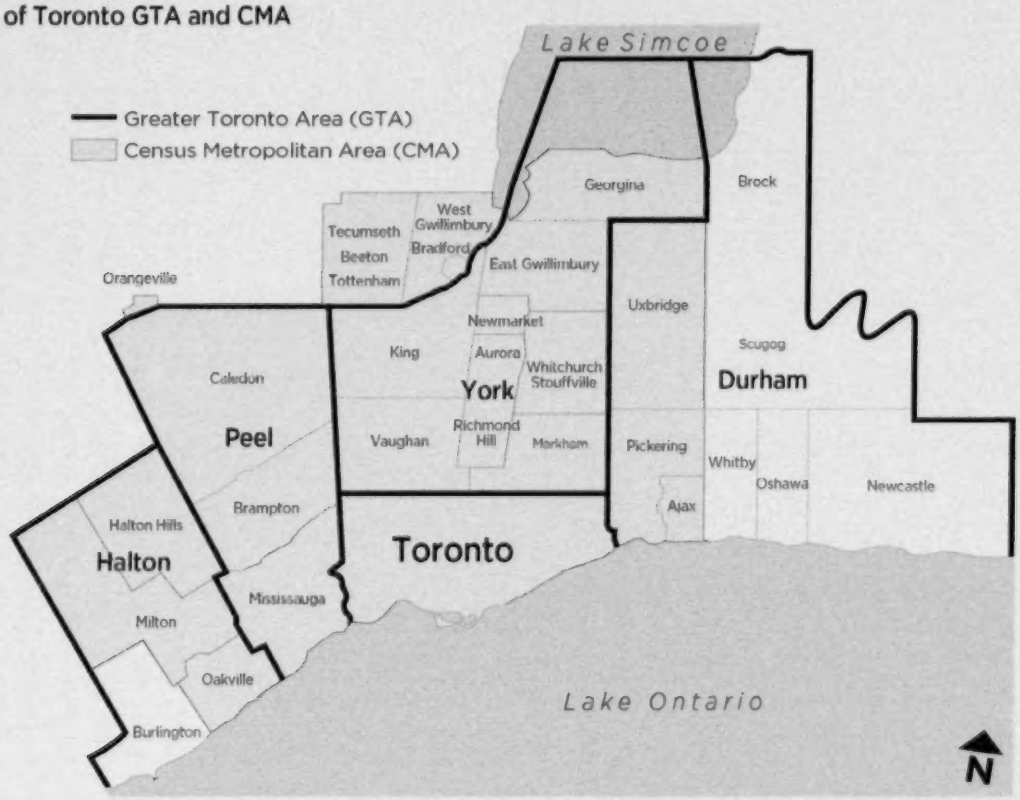
City of Toronto, GTA and CMA

The City of Toronto is Canada's largest city with a population of 2.8 million residents. It is the heart of a large urban agglomeration of 6.4 million called the Greater Toronto Area (GTA)1. The City has one of the most ethnically diverse populations in North America. Almost one in four visible minority persons in Canada resides in Toronto. Nearly half of the city's population (47%) considers itself as part of a visible minority group.

The City of Toronto, with 89,000 businesses, is the major economic engine of the country. The City is both the political capital of the Province of Ontario and the corporate capital of Canada. As well, it is the major centre for culture, entertainment and finance in the country. The City is the home to more national and internationally ranked companies than any other city in Canada.

The GTA is one of the largest regional economies in North America, characterized by concentrated and fast-growing finance-related industries and highly specialized knowledge-based jobs. An estimated $334 billion of goods and services(GDP 2014) are produced in the Toronto Census Metropolitan Area (CMA)2. The City of Toronto accounts for half of this total (2014: $175 billion). As well, the City accounts for 24% of Ontario's GDP and about 9% of the country's economic output.

City of Toronto GTA and CMA



City of Toronto Planning and Development Department

[1] Greater Toronto Area (GTA) refers to the City of Toronto plus the surrounding regions of Durham, York, Peel and Halton which include four upper tier and 24 lower tier municipalities.

[2] Toronto CMA (Census Metropolitan Area) refers to the municipalities assigned by Statistics Canada on the basis of labour market and commuting criteria. It comprises the City of Toronto and 23 other municipalities.

In addition to the modern network of highways and transcontinental railway lines that traverse the City of Toronto, local businesses are also well served by two airports: Pearson International Airport, the largest in Canada and Billy Bishop Toronto City Airport, located near the downtown core. Union Station, is the busiest, multimodal, passenger transportation hub in Canada, serving a quarter-million people daily. It is connected to numerous transportation systems, including subway, commuter rail, commuter bus, passenger rail and bicycle.

Key Employment Sectors

Toronto has one of the most diverse economies in North America and provides companies with an equally rich mix of partners, suppliers and talented professionals to meet the demands of business today.

The Financial Services sector is emerging as the one of Toronto's highest growth industries with a large and highly concentrated workforce. Toronto is home to the functional head offices of all five major Canadian banks and is considered to be one of the top ten financial centres in the world, according to the Global Financial Centres Index. Banking in Canada is widely considered the most efficient and safest banking system in the world, ranking as the world's soundest banking system according to a 2008 World Economic Forum report, ahead of Sweden, Luxembourg, Australia, Denmark and the Netherlands. More recently, five of Canada's biggest financial institutions have been named on a list of the world's strongest banks. The May 2012 study by Bloomberg Markets, which reviewed the quality and stability of a firm's holdings, indicated that Canada had the most banks on the list – five institutions. According to Moody's Analytics, by 2017, Toronto is expected to surpass London in terms of total financial services jobs with Toronto expecting to add an additional 100,000 jobs in this sector by 2020 while London is expected to lose a further 30,000 jobs over the same period.

As part of the health sector, the biomedical and biotechnology cluster in Toronto is the fourth largest in North America. The Discovery District is a downtown research park with 7 million sq. ft. of facilities – Canada's largest concentration of research institutes, business incubators and business support services. The Medical and Related Sciences (MaRS) project, Faculty of Pharmacy building at the University of Toronto, and the Centre for Cellular and Biomolecular Research (CCBR) help give the Discovery District its name. A further 800,000 square foot addition to the MaRS Centre was completed in January 2014.

Continued investment in the Arts, Entertainment and Recreation sector is vitally important for the attraction of tourists and film production to the City. Toronto has undergone a 'cultural renaissance' with the unprecedented building and architectural transformation of close to a dozen major arts and cultural institutions, including the Michael Lee-Chin Crystal (an expansion of the Royal Ontario Museum), the Art Gallery of Ontario, the home of the Toronto International Film Festival, the Four Seasons Centre for the Performing Arts which is the home of the National Ballet of Canada and the Canadian Opera Company, and the Gardiner Museum of Ceramic Art. In Fall 2013, Ripley's Aquarium of Canada opened its doors as a major new tourist attraction in the City featuring more than 15,000 fish, representing 450 species. The production of domestic and foreign film and television is a major local industry. Toronto contains the headquarters of the major English language Canadian television networks such as CBC, CTV, Citytv and Global. Toronto is home to two national daily newspapers (Globe and Mail and National Post), two local daily newspapers (Toronto Star and Toronto Sun), approximately 79 ethnic newspapers/magazines, and many other community papers.

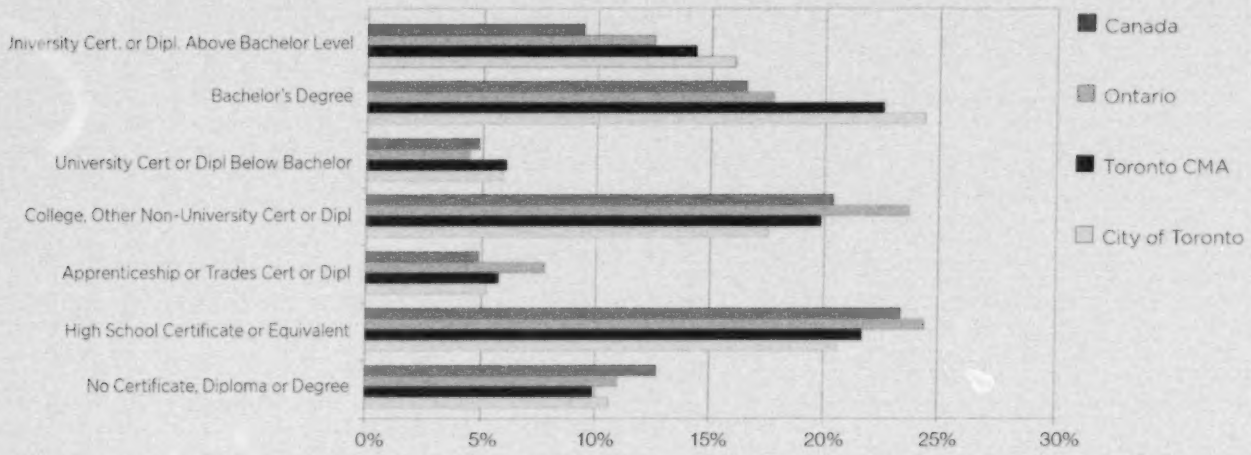
The technology cluster in the Toronto CMA is the largest in Canada and third largest in North America, behind San Francisco and New York, employing over 200,000 people at more than 14,600 technology companies. Of the top 250 technology companies in Canada, 40% are based in the Toronto Region. Toronto has a vibrant web start-up scene and growing mobile application development community. Google recently opened offices in the heart of the downtown core, showing a commitment to Toronto's technology sector. The backbone of the technology sector in the Toronto CMA is its telecommunication infrastructure. Home to two of the three largest telecommunications companies in Canada as well as many smaller service providers, Toronto is connected by sophisticated high speed networks. A critical mass of talent and a growing number of experienced developers has also helped Toronto become a successful mobile application development hub.

One significant trend is that employment in the manufacturing industry in the city, though still one of the largest sectors, has been on the decline at an average annual rate of 4.3% from 2001 to 2011. By 2011, the number of employed people in manufacturing was less than 2/3 of what it was in 2001.

Workforce

Toronto has a large educated, skilled and multilingual workforce. Toronto is the home to four universities (University of Toronto, York University, Ryerson University, and Ontario College of Art and Design), and four community colleges (Centennial, Seneca, Humber and George Brown). More than 60% of Toronto workers have post-secondary degrees, diplomas or certificates.

Population by Age 25 - 64 By Education



Source: Statistics Canada - Census (2011)

With an estimated 1.4 million people working in the City of Toronto, it continues to be a net importer of labour from the surrounding regions. The net inflow of people to the city is estimated to be over two hundred thousand people every day. However the surrounding regions are changing rapidly in that they are experiencing growth in manufacturing and other types of employment and thus transforming themselves from residential suburbs to employment destinations. The rest of the GTA has now also become a net importer of labour from the surrounding regions beyond the GTA.

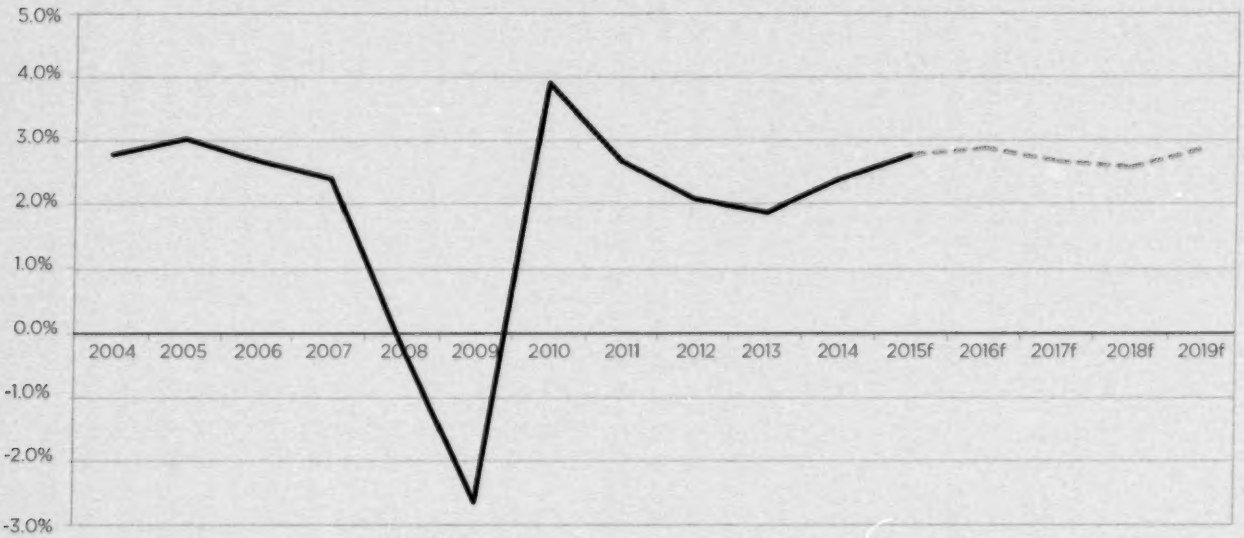
Economic Growth

The Canadian economy is expected to grow at a moderate pace in 2015, held back by the steep decline in world oil prices that has led the oil and gas industry to cut back on capital investment plans and the Federal and Albertan governments to reduce spending, commensurate with declining revenues. Canada's real GDP is forecasted to grow by a moderate 1.9% in 2015 and then inch upward to 2.3% in 2016 and 2.1% from 2017 to 2019.

Contrasting the economic misfortune in Alberta in 2015, Ontario is expected to benefit from lower oil prices and the associated decline in the Canadian dollar as business investment bounces back to supply a resurging U.S. economy. While the Conference Board of Canada is forecasting that Ontario's real GDP will rebound to 2.6% growth in 2015, the stronger economic forecast ends there with a return to moderate economic growth of 2.0% in 2016 and 2017 and 1.9% growth in 2018. A bounce-back in economic strength is expected in 2019 with 2.5% GDP growth anticipated.

While the housing sector slumped in 2013 and 2014, the non-residential sector continued to show strength. Preparation of venues for the 2015 Pan Am Games in Toronto and Hamilton has provided economic stimulus to the Toronto CMA leading up to the July 2015 event. As well, revitalization of the Queen's Quay area and Union Station, LRT expansion along Eglinton and Finch Avenues and the Toronto-York Spadina Subway Extension are large projects that will continue to support the local construction industry. As the following chart illustrates, the Conference Board is forecasting that Toronto CMA is expected to encounter growth of 2.8% real GDP growth in 2015 and an average of 2.8% over the 2016-2019 forecast period. The higher economic growth in the forecast period is supported by an improving U.S. economy which will in turn boost growth in many sectors including manufacturing, warehousing and transportation.

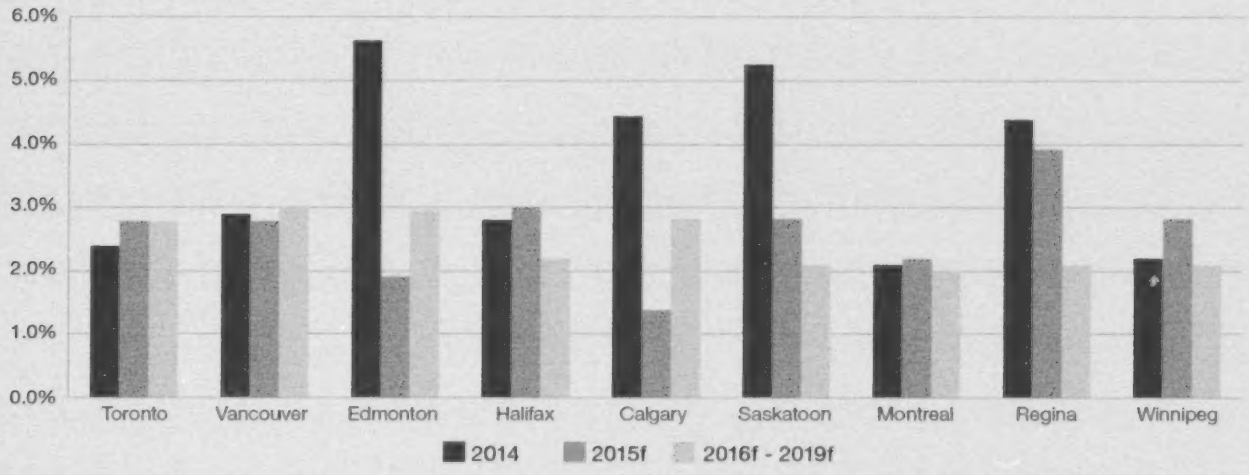
GDP Growth Rate
Toronto CMA



Source: Conference Board of Canada Metropolitan Outlook: Winter 2014

The following chart compares the economic growth of major Canadian city-regions (CMAs). Toronto is expected to have healthy growth through the forecast period.

Real GDP Growth
Major Canadian Cith Regions (CMA)



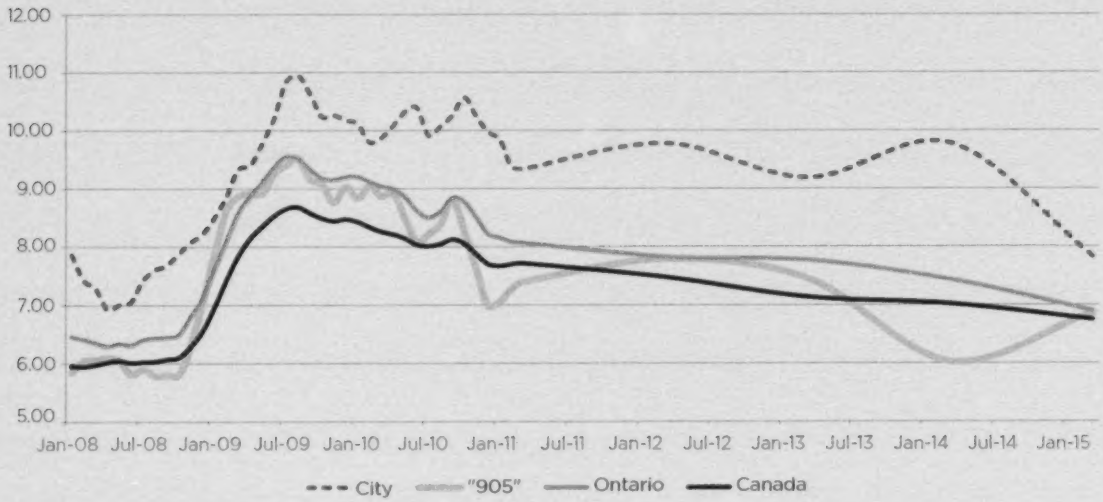
Source: Conference Board of Canada Metropolitan Outlook Winter 2014

Economic Indicators

Unemployment Rate

Within the Toronto region, the City of Toronto and the rest of the CMA region ("905") exhibited different economic growth patterns. In the City of Toronto, job losses during the recession coupled with decreased participation rates led the city's unemployment rate to average 10% in 2009, a level not seen since the early/mid-1990s. Despite having emerged from the recession, the City of Toronto's unemployment rate remained stubbornly high until mid-2014 when the unemployment rate started to decline steadily. Going forward, the City's unemployment rate is expected to continue to show slow improvement while continuing to lag the rest of the CMA, Ontario and Canada.

Unemployment Rate Trend – 2008 to 2015
City of Toronto, 905 Municipalities, Ontario and Canada



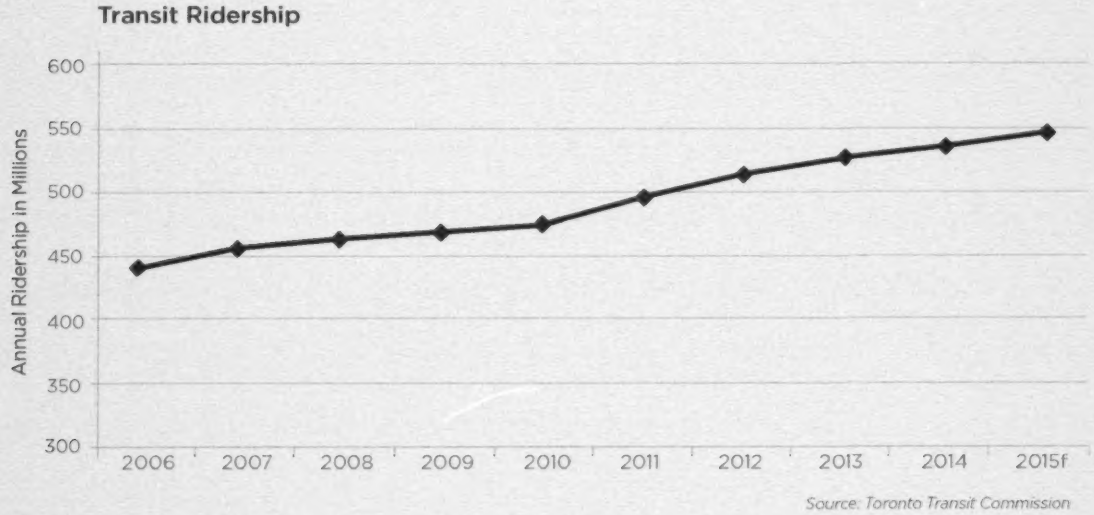
Social Assistance Caseload

The number of cases and people on social assistance are largely associated with unemployment rate, and to a certain extent, population and participation rate. The City's Social Assistance (Ontario Works) caseload has followed a similar historical trend as its unemployment rate (although lagging by anywhere from six to 12 months). The following chart shows the caseload trending upward until early 2012 with the rate of increase being most pronounced after the start of the last recession in 2009. Since January 2009, the number of cases rose from approximately 81,000 monthly cases to a peak of nearly 105,500 monthly cases in March 2012, before dropping back as a result of improved employment conditions to a level of 90,000 towards the end of 2014.

Social Assistance Caseload
Monthly Caseload
Jan 2006 to Oct 2014

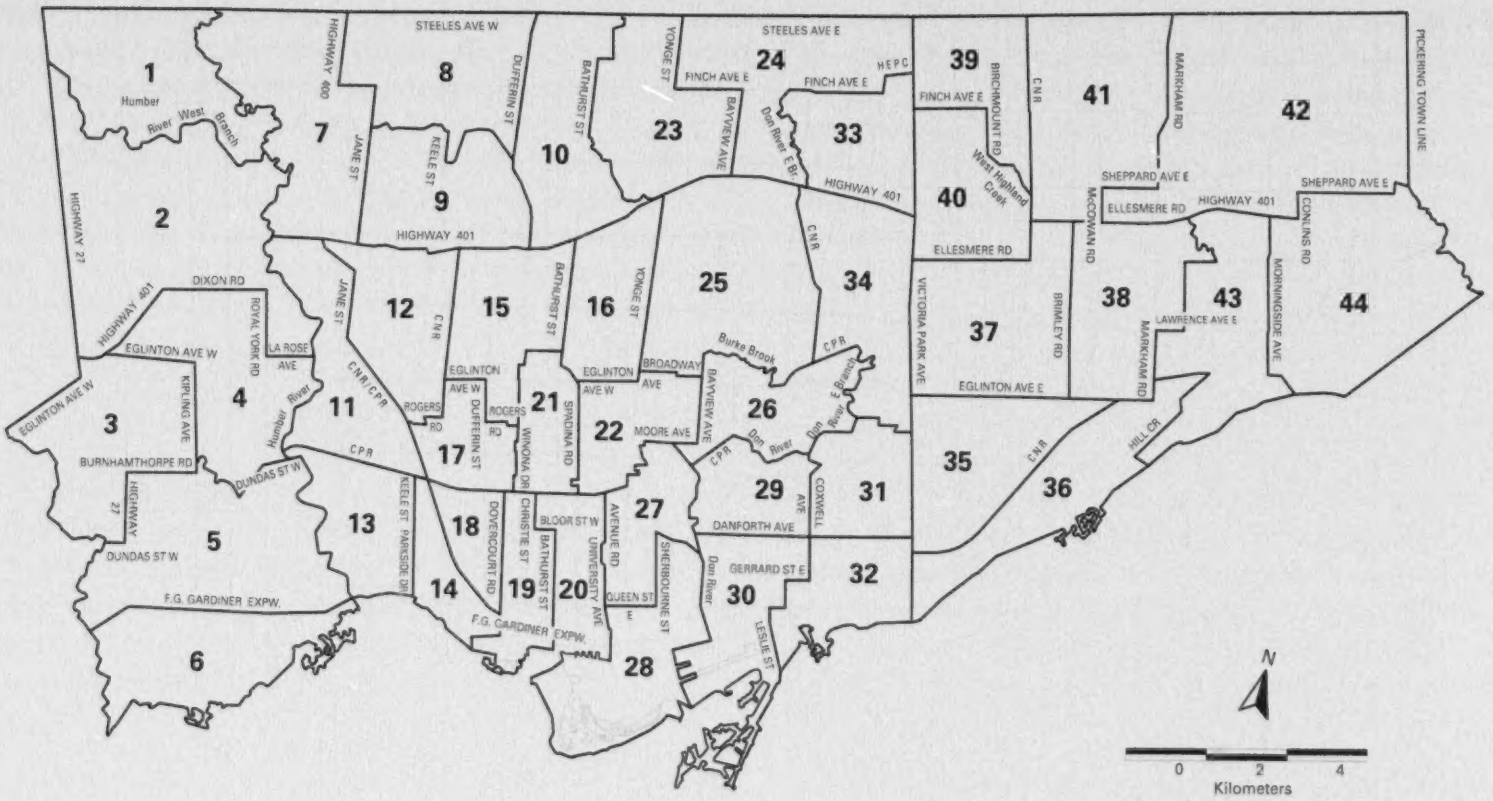
Transit Ridership

The Toronto Transit Commission ("TTC") established a new record for 12-month ridership of 535 million riders in 2014, representing an impressive 10 million rider increase over the 2013 ridership. Another record is projected for 2015 with a budgeted ridership of 545 million. The TTC is in the process of replacing its aging fleet and meeting future growth expectations through the procurement of new subway cars, buses and light rail vehicles. The TTC has also embarked on a number of customer service enhancements to meet the demands of the growing ridership, including the implementation of a Customer Charter, public washroom refurbishments, elevators, in-service subway car cleaning, the addition of station managers at select subway stations and the roll out of debit and credit card acceptance for Metropasses at collectors' booths.



Source: Toronto Transit Commission

Map of Electoral Wards



TORONTO

Municipal Wards 2010 - 2014

Revised January 2007

Toronto City Council

Mayor John Tory

Ward 1
Vincent Crisanti

Ward 2
Rob Ford

Ward 3
Stephen Holyday

Ward 4
John Campbell

Ward 5
Justin Di Ciano

Ward 6
Mark Grimes

Ward 7
Giorgio Mammoliti

Ward 8
Anthony Perruzza

Ward 9
Maria Augimeri

Ward 10
James Pasternak

Ward 11
Frances Nunziata

Ward 12
Frank Di Giorgio

Ward 13
Sarah Doucette

Ward 14
Gord Perks

Ward 15
Josh Colle

Ward 16
Christin
Carmichael Greb

Ward 17
Cesar Palacio

Ward 18
Ana Bailão

Ward 19
Mike Layton

Ward 20
Joe Cressy

Ward 21
Joe Mihevc

Ward 22
Josh Matlow

Ward 23
John Filion

Ward 24
David Shiner

Ward 25
Jaye Robinson

Ward 26
Jon Burnside

Ward 27
Kristyn Wong-Tam

Ward 28
Pam McConnell

Ward 29
Mary Fragedakis

Ward 30
Paula Fletcher

Ward 31
Janet Davis

Ward 32
Mary-Margaret
McMahon

Ward 33
Shelley Carroll

Ward 34
Denzil Minnan-Wong

Ward 35
Michelle Berardinetti

Ward 36
Gary Crawford

Ward 37
Michael Thompson

Ward 38
Glenn De Baeremaeker

Ward 39
Jim Karygiannis

Ward 40
Norm Kelly

Ward 41
Chin Lee

Ward 42
Raymond Cho

Ward 43
Paul Ainslie

Ward 44
Ron Moeser

2010–2014 Executive Committee and Standing Committee Mandates

EXECUTIVE COMMITTEE:

The Executive Committee's mandate is to monitor and make recommendations on the priorities, plans, international and intergovernmental relations, and the financial integrity of the City.

The responsibilities of the Executive Committee include:
(1) Council's strategic policy and priorities in setting the agenda;
(2) Governance policy and structure;
(3) Financial planning and budgeting;
(4) Fiscal policy including revenue and tax policies;
(5) Intergovernmental and international relations;
(6) Council and its operations; and
(7) Human resources and labour relations.

The Executive Committee makes recommendations or refers to another committee any matter not within the Standing Committee's mandate or that relates to more than one Standing Committee.

AUDIT COMMITTEE

The responsibilities of the Audit Committee include:
1. Recommending the appointment of the City's external auditor;
2. Recommending the appointment of an external auditor to conduct the annual audit of the Auditor General's office;
3. Considering the annual external audit of the financial statements of the City and its agencies and corporations;
4. Considering the external audit of the Auditor General's office;
5. Considering the Auditor General's reports and audit plan;
6. Conducting an annual review of the Auditor General's accomplishments;
7. Making recommendations to Council on reports the Audit Committee considers.

STANDING COMMITTEES

The standing committees are organized along seven broad policy areas:

Community Development and Recreation Committee – will focus on social inclusion and undertake work to strengthen services to communities and neighbourhoods.

Economic Development Committee – will focus on the economy and undertake work to strengthen Toronto's economy and investment climate.

Public Works and Infrastructure Committee – will focus on infrastructure and undertake work to deliver and maintain Toronto's infrastructure needs and services.

Government Management Committee – will focus on government assets and resources and undertake work related to the administrative operations of the City.

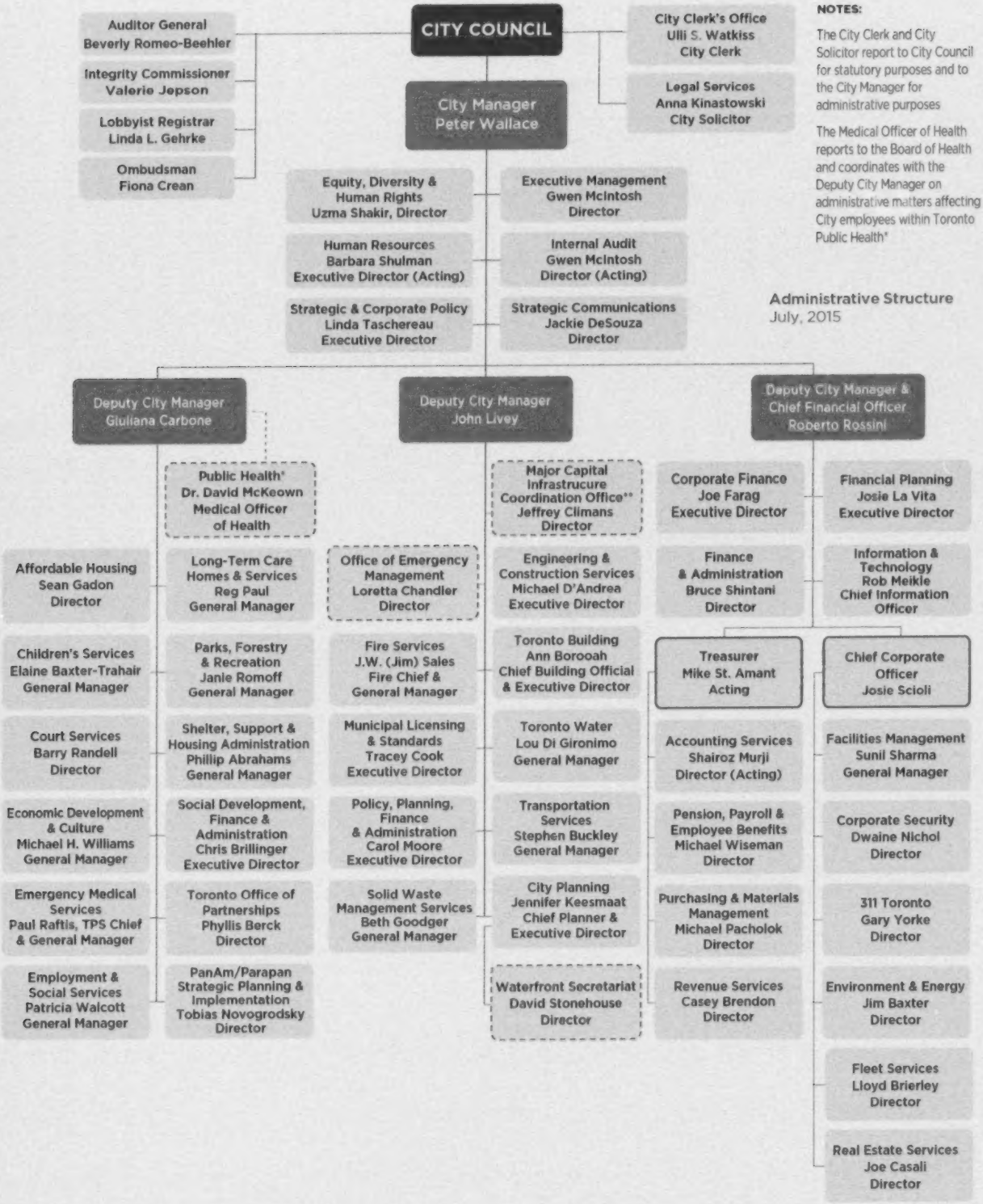
Parks and Environment Committee – will focus on the natural environment and undertake work to ensure the sustainable use of Toronto's natural environment.

Planning and Growth Management Committee – will focus on the urban form and undertake work related to good city planning and sustainable growth and development.

Licensing and Standards Committee – will focus on consumer safety and protection and undertake work related to licensing of businesses and enforcement of property standards.

Note: Reference should be made to the Municipal Code – Chapter 27, Council Procedures, for the specific responsibilities of each committee.

City Administrative Structure



City of Toronto Special Purpose Bodies

AGENCIES [1]

Service Agencies

- Board of Health
- Exhibition Place
- Heritage Toronto
- Police Services Board
- Public Library Board
- Sony Centre for the Performing Arts (operating name for Hummingbird Centre)
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund
- Toronto Centre for the Arts
- Toronto Parking Authority
- Toronto Transit Commission
- Toronto Zoo
- Yonge-Dundas Square

Community-Based:

- 8 Arena Boards
- 10 Association of Community Centre Boards (AOCCs)
- 78 Business Improvement Areas (BIAs)

Quasi-Judicial & Adjudicative Boards

- Committee of Adjustment
- Committee of Revision
- Compliance Audit Committee
- Property Standards Committee/Fence Viewers
- Rooming House Licensing Commissioner and Deputy [3]
- Sign Variance Committee
- Toronto Licensing Tribunal

Partnered Agency

- Toronto and Region Conservation Authority

CORPORATIONS [2]

City Corporations

- Build Toronto Inc.
- Casa Loma Corporation
- Invest Toronto Inc.
- MasterCard Centre (operating name for Lakeshore Arena Corporation)
- Toronto Community Housing
- Toronto Hydro Corporation
- Toronto Port Lands Company (operating name for Toronto Economic Development Corporation)
- Toronto Pan Am Sports Centre Inc. (TPASC)

Partnered Corporations

- Waterfront Toronto

Notes:

1. Previously referred to as agencies, boards and commissions.
2. Ontario Business Corporations Act (OBCA) corporations.
3. Rooming House Licensing Commissioner and Deputy are Officers, rather than an agency of the City, but in all other respects function as a quasi-judicial and adjudicative board.

Updated: July 2015

2014 FINANCIAL CONDITION & PERFORMANCE

CITY OF TORONTO FINANCIAL REPORT

A message from the Deputy City Manager & Chief Financial Officer

ROBERTO ROSSINI

The 2014 Annual Financial Report for the City of Toronto provides an in-depth look at the City's financial performance over the past year and highlights our progress toward the City's major goals for Toronto's residents and businesses.

Following the severe ice storm in late December 2013, City staff spent considerable time in 2014 assessing and repairing damage. Staff reviewed the City's emergency response and procedures, and prepared a request to the Province for reimbursement of ice storm-related costs under the Province's Ice Storm Assistance Program. The City anticipates recovering $64.2 million of the cost of emergency response, clean-up and hazard abatement. Upon review of the City's emergency response, Council approved many recommendations to update the City's Emergency Plan, including actions to improve and coordinate communications with the public, and support for Toronto Hydro's plan to convert overhead hydro lines to underground lines in areas that would most significantly improve the resiliency of the City's electrical infrastructure.

Ahead of the 2015 Budget launch, the City of Toronto faced substantial state-of-good-repair investment needs, particularly for transit, roads, social housing, City facilities and water infrastructure. The 2015-2024 Capital Budget and Plan contains $3.0 billion in additional investments to address aging infrastructure, maximizing the use of development charge funding and setting water rates to meet the capital investment needs of Toronto Water over the next 10 years.

A major priority of Council is to make Toronto a City that moves people. There is a plan to repair approximately 1,000 kilometres of roads, 50 kilometres of expressways, 600 kilometres of sidewalks and 150 bridges, as well as a significant investment ($970 million) to accelerate the repair and rehabilitation of the F.G. Gardiner Expressway. A multi-year environmental assessment and an integrated urban design study will conclude in 2015 and will help guide the final actions to be taken on the Gardiner.

For the eighth consecutive year, the City of Toronto has won the Government Finance Officers Association of the United States and Canada Award for Excellence in Financial Reporting. The City of Toronto also received the Government Finance Officers Association's Distinguished Budget Presentation Award. Summarizing the activities of such a diverse and complex city is extremely challenging and these awards could not have been possible without the dedication of the professional team that I have the privilege to work with every day.

Sincerely,

Roberto Rossini

Roberto Rossini
Deputy City Manager & Chief Financial Officer

Fiscal Capacity

Toronto enjoys a well diversified economy, relatively low business costs, a well-educated workforce and good infrastructure, which allows it to be well positioned to compete internationally. The city government has a sound financial base, as reflected by its high credit rating and its healthy accumulated surplus and strong cash position.

The City's structural shortfall comprises two components:

- A cumulative component due to programs downloaded to the municipality from the Province, and
- An annual component due to annual ongoing shortfalls.

In an effort to eliminate the annual operating shortfall, the City in 2011 commenced a Service Review Program consisting of a Core Service Review, Service Efficiency Studies and a User Fee Review. In 2013 alone, Service Efficiencies and other base budget reductions totalled approximately $222 million.

As a result of the User Fee Review, City Council approved a new corporate policy for setting the price of user fees and determining the amount that should be recovered. New policies to fully recover costs, where appropriate, and the identification of additional opportunities for collecting user fees, are expected to result in higher user fee revenues in future years.

The 2008-2009 economic recession had put the City's fiscal capacity under additional stress. Revenues and expenditures that were sensitive to the economic conditions created additional operating budget pressures. As indicated earlier, certain economy-sensitive costs have not returned to the pre-recessionary levels. For example, Social Assistance caseloads have increased by about 20% in 2014 when compared with the 2008 level. On the other hand, low interest costs have offset some other budget pressures and have helped to boost construction activity in the City. The unemployment rate for City residents remains higher than elsewhere in Canada.

The Municipal Land Transfer Tax (MLTT) has helped to grow the City's revenues, contributing about 4% to the tax-supported operating budget. MLTT revenues have continued to grow since being first implemented in 2008 as low mortgage rates have helped to keep housing sales strong in the City of Toronto.

Physical Infrastructure

The City owns a significant amount of physical assets – comprising roads, expressways, bridges, traffic signal controls, water and wastewater treatment facilities, distribution and collection pipes, reservoirs, pumping stations, subways, streetcars, buses, civic centres, recreation facilities, public housing buildings, parkland and other lands. This infrastructure, excluding land, is currently estimated to be worth in excess of $74 billion. The City's capital program is driven largely by the costs of maintaining these physical assets in a state of good repair.

City's Physical Infrastructure

Transportation	$11 Billion
Public Transit	$14 Billion
Water & Wastewater	$28 Billion
Facilities including Parks, Forestry & Recreation, Fleet	$ 9 Billion
Community Housing Infrastructure	$ 9 Billion
Parkland & Other Land	$ 3 Billion
Total (Replacement Cost Estimates)	$74 Billion

The City's road network, the majority of which was constructed in the 1950s and 1960s, is in need of major repair and rehabilitation. In recognition of the need to reduce the State-of-Good Repair backlog related to the City's transportation infrastructure, 80% of the 2015-2024 Capital Plan for Transportation Services is dedicated to State-of-Good-Repair projects, compared to approximately 57% across all other Programs. The City's water and wastewater network is similarly aged — the average age of the City's watermains and pipes is 55 years and nearly 20% of them are more than 80 years old. Recognizing the need to eliminate the State-of-Good-Repair backlog by 2024, City Council approved $1.4 billion in additional capital investments for Toronto Water in the 2015-2024 Capital Budget and Plan, largely funded through the approval of water rate increases of 8% for 2015, and 2016 and 5% for 2017 and 2018, and 3% thereafter.

In addition, capital requirements resulting from population growth and demographic changes will add additional financial pressures. The City's 2002 Official Plan projected population growth of up to a million people in the City of Toronto, raising the population to 3.5 million people by 2031. More buses, social housing, recreation centres, etc. are required, which will put pressure on the City's capital and operating budgets to provide additional services, and build and operate new facilities.

Investment in physical infrastructure is typically funded by the following sources: federal and provincial governments, reserve and/or reserve funds, development charges, donations, operating contributions and debt. Debt is the funding source of last resort for capital purposes.

Capital Financing and Debt

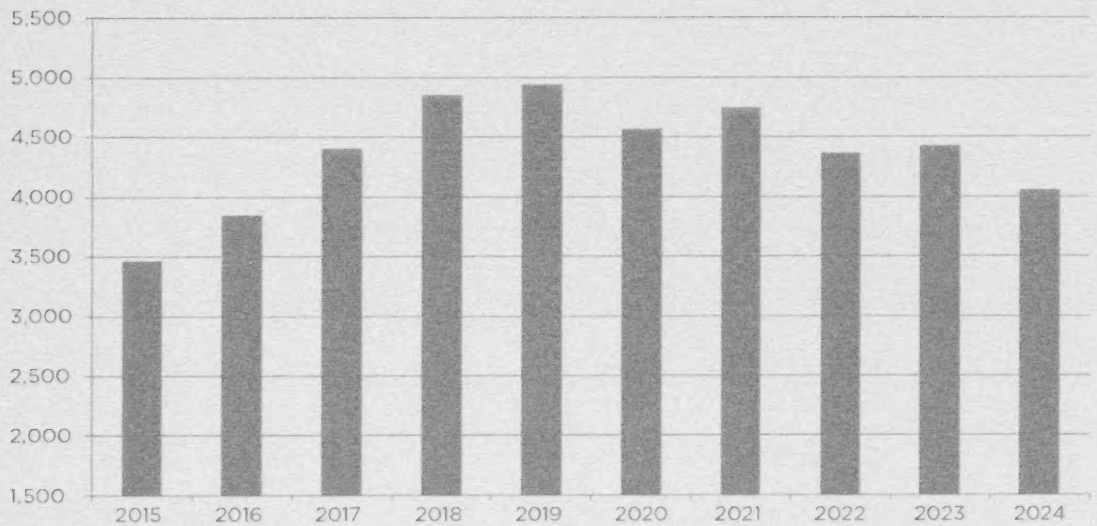
The City borrows money to finance capital expenditures. It cannot borrow to finance operating expenditures under the City of Toronto Act. The goal for capital financing is to maximize all funding from external sources, including federal and provincial governments, development charges, donations and reserve funding, before using the City's own revenue sources, namely operating contributions to capital and the issuance of debt. Toronto has enjoyed relatively low debt levels in the past; however, in light of the growing capital infrastructure needs, there is a sizeable and growing gap between future capital expenditure needs and ongoing sustainable revenue sources. As well, the City does not have the fiscal capacity for all necessary growth related expenditures, e.g. TTC and Transportation Services needs. For the next ten years, the TTC is projected to make up the majority of the new debt required to fund the City's capital requirements, most of which is for new infrastructure and enhancement projects rather than State-of-Good-Repair projects.

The City has implemented a framework for developing multi-year capital and operating budgets that ensure that limited resources are aligned to priorities to maximize the benefits for Toronto's residents.

The City in 2010 refinanced parts of its debt by paying down existing debt and borrowing funds for selected projects on 30-year terms as opposed 10-year terms. The 30-year debt was used to finance long-term assets to more closely match the lifespan of the infrastructure being built or purchased, e.g. subway tunnels and subway cars.

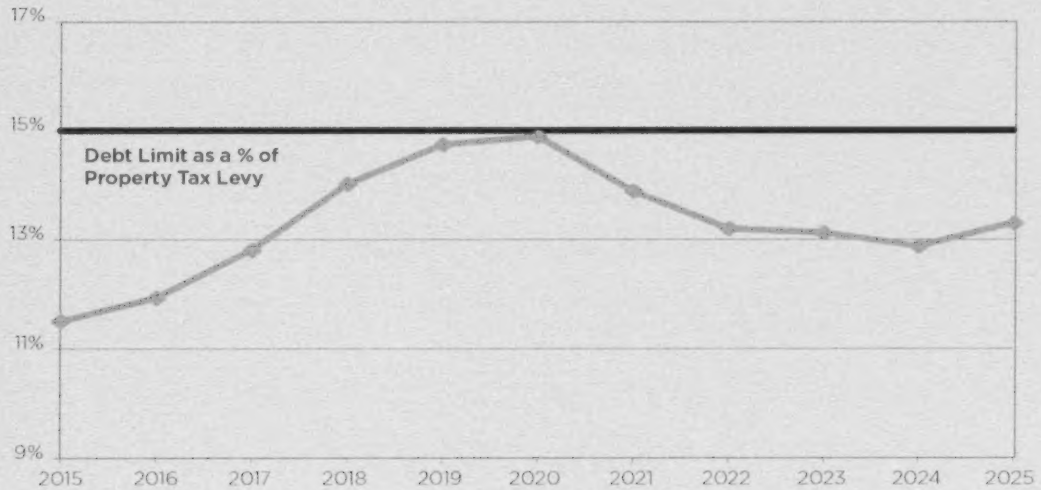
Even with the above-noted actions, estimates showed that the City's net long-term, tax-supported outstanding debt would increase from $3.5 billion at the beginning of 2015 to peak at approximately $4.9 billion in 2019, and then decrease to $4.1 billion by 2024 as shown in the chart below.

City of Toronto Net Tax-Supported Debt
(Including Scarborough Subway)
($ Millions)



City Council has ultimate authority in setting borrowing restrictions as the City of Toronto is exempt under the City of Toronto Act from the Provincial Municipal Act requirement that generally limits long-term borrowing of other municipalities to 25% of most own-source revenues (excluding development charges). Nevertheless, the City of Toronto's debt service limit is well under the Provincial standard.

City Council previously approved a debt service limit such that the tax-supported debt service cost (annual principal and interest payments) would not exceed 15 per cent of property tax revenues in a given year. This limit means that at least 85 cents on each tax dollar raised is available for operating purposes. As shown in the chart to follow, the City is expected to stay below the 15% tax-supported debt charges to Property Tax Levy ratio limit over the next ten years.



The 2015-2024 Tax-Supported Capital Budget and Plan required an additional $2.1 billion in new non-debt funding to address primarily TTC and Transportation Services' capital needs. Financing requirements are needed to fund projects that were approved as part of the 2012, 2013 and 2014 Capital Budgets and new/increased capital projects included in the 2015 - 2024 Capital Budget and Plan.

Capital Market and Investment Activities

Capital Market Activity

During 2014, the City issued $600 million in the public capital market of the $900 million that was approved for the year. It consisted of $300 million in 10-year debentures and $300 million in 30-year debentures.

Aligning the term-to-maturity of the City debt issuance to match the economic life of the City's infrastructure assets and providing liquidity to investors through larger bond issues are very important features of the City's debt issuance program. The program has been structured to issue debt with 10 and 20 year terms as well as the ability to reopen bond issues, depending upon capital market conditions.

The City continues to monitor the domestic and international capital markets as well as evaluating alternative financing vehicles to identify opportunities to achieve the lowest cost of capital funds.

Investment Activity

The City owns and manages the General Group of Funds and the Sinking Fund, each having specific goals and objectives. The General Group of Funds portfolio is composed of two individual funds (the Bond and Money Market Funds) that are managed interactively. The Bond Fund is positioned to fund the City's future reserve and reserve fund requirements and therefore takes a longer view of the market. The Money Market portfolio is primarily focused on ensuring that adequate liquidity is maintained to meet the immediate cash flow requirements of the City's daily operations. The Sinking Fund is for the use of retiring the City's debt as it becomes due and payable. The City also manages other smaller funds where the assets are not owned by the City (e.g. Trust Funds).

A 2.9% annual rate of return on capital was achieved in 2014 for the General Group of Funds with investment earnings totalling $143.7 million (see table below):

2014 Investment Portfolio Income ($Millions)

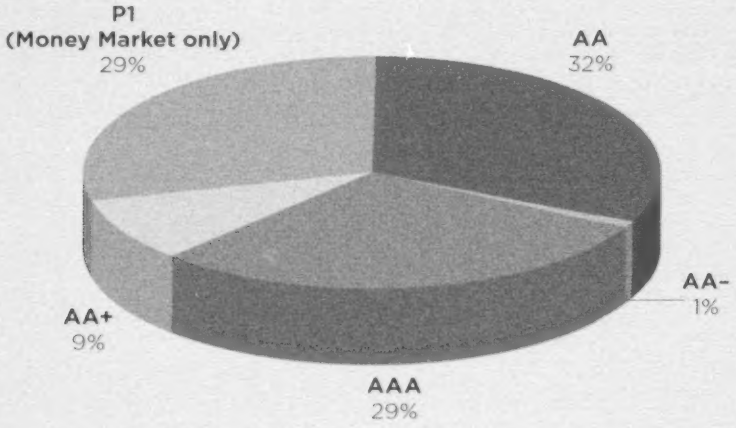
Portfolio	Average Capital Balance	Earned Income	Return on Capital
1. Bond Fund	$2,407.8	$110.3	4.6%
2. Money Market	$2,639.4	$ 33.4	1.3%
Total General Funds	**$5,047.2**	**$143.7**	**2.9%**

The lower return on capital in 2014 was primarily the result of three factors:

1. Lower interest rates
2. Lower than average non-recurring accounting realization of capital gains in 2014
3. Lower average capital balances

The City's General Fund continues to exhibit high credit quality and liquidity, especially during extended periods of economic turbulence and market turmoil. A pie chart showing a breakdown of the credit quality of the General Fund's investments follows:

Credit Quality –Total General Funds
As at December 31, 2014



Markets Review and Outlook for 2014

In 2014, Canadian inflation was strong in the first half of the year but offset by a mostly flat second half. Interest rates continued to decline drastically. Government of Canada 10-year yields declined almost 100 basis points. The decline in yield was heavily influenced by the decline in European yields on concerns about deflation, anticipation of a response by the European Central Bank and political risk aversion. Later in 2014, the decline was also influenced by significantly falling oil prices and increasing questions about whether the US Federal Reserve would raise rates. The price of oil became an increasingly important driver of bonds in the second half of 2014 and the value of the Canadian dollar which weakened considerably in 2014.

Reserves and Reserve Funds

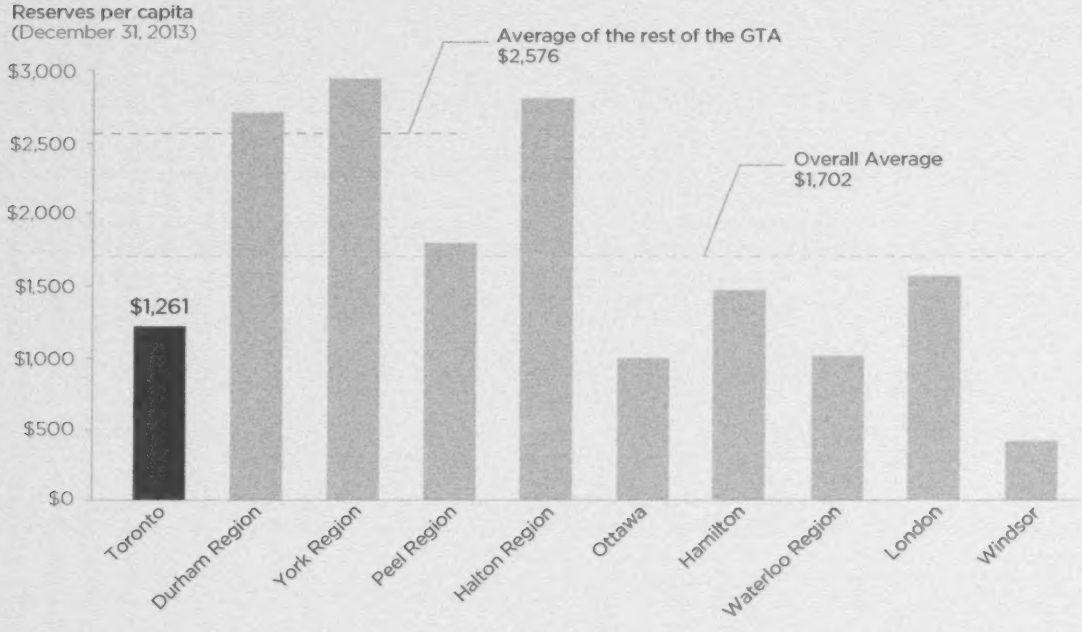
Reserves and Reserve Funds are monies set aside by Council to finance future expenditures for which it has authority to spend money, to defend the City against an unbudgeted or unforeseen event that may result in a budget deficit such as an economic downturn, to smooth out future program expenditures which may fluctuate from one year to the next, or to accumulate funds for future capital requirements or contingent liabilities. While the reserve fund balances would appear to be a large sum, it should be noted that the majority of these funds are committed to special purposes.

Toronto Municipal Code, Chapter 227 – Reserves and Reserve Funds – provides all pertinent information regarding the City's reserves and reserve funds, including definitions, the authority to establish new reserves and reserve funds, closing out inactive reserves and reserve funds, as well as the use and administration of reserves and reserve fund monies. A link to Chapter 227 of the Toronto Municipal Code is provided below:

http://www.toronto.ca/legdocs/municode/1184_227.pdf

On a comparative basis, the City's overall reserve fund balance on a per capita basis is much lower than those in other Ontario jurisdictions. Toronto's 2013 reserve per capita of $1,261 was considerably less than the rest of the GTA ($2,576), and 74% of the provincial average ($1,702). The City has established long-term reserve strategies for major reserves, e.g. employee benefits reserves, landfill sites and water and wastewater stabilization reserves, and ensures that adequate funds are in place, by determining needs and establishing contribution policies.

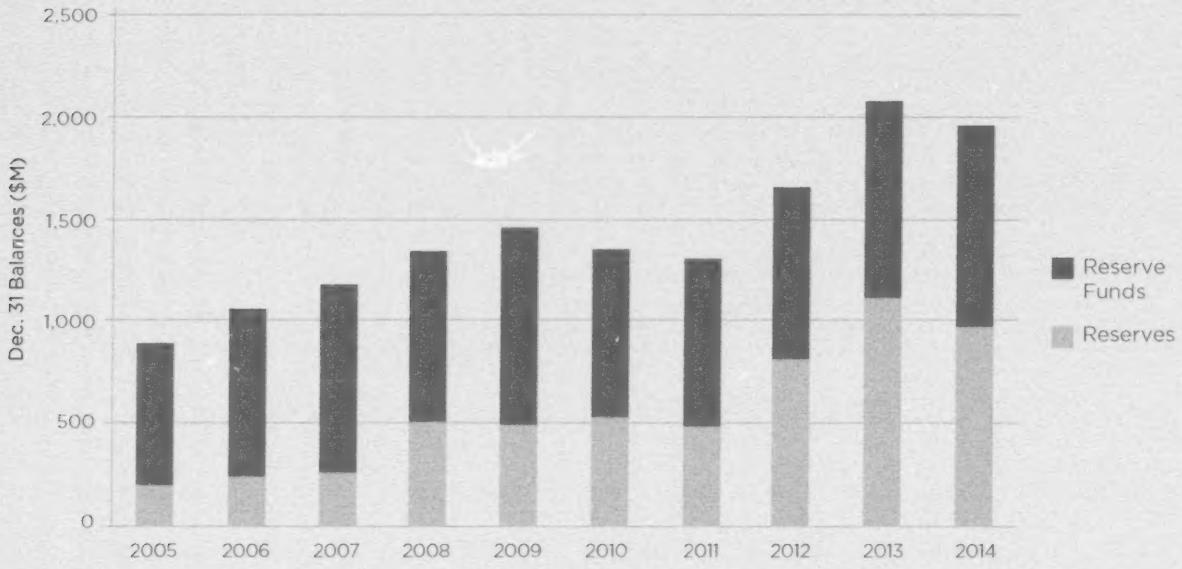
Comparison of Per Capita Reserves and Reserve Fund Balances



Sources: Ontario Ministry of Municipal Affairs & Housing - 2013 FIR
Regional data consolidated for upper and lower tiers
Balances include Obligatory Reserve Funds/Deferred Revenues

The following chart shows the historical trend of reserve and reserve fund balances since 2005. While the overall trend had been rising, there was a brief dip between 2009 and 2011 after the recession. Growth resumed in 2012 and 2013 as a result of funds being directed to the Capital Financing Reserve and other underfunded Reserves and Reserve Funds as mandated by Toronto City Council's Surplus Management Policy.

Reserves and Reserve Funds
(Excluding obligatory reserve funds/deferred revenues)



Deferred Revenues

Funds that are set aside for specific purposes by legislation, regulation or agreement and may only be used in the conduct of certain programs or the completion of specific work are reported as Deferred Revenues (previously Obligatory Reserve Funds). These include funds received from the other orders of government, Development Charges from third parties earmarked for certain purposes, e.g. Transit, Social Housing, Parkland Acquisition, Long Term Care Homes and Services. These amounts are recognized as liabilities in the year the funds are deposited, and received into revenue in the fiscal year the related expenditures are incurred or services performed. These funds are all committed, for uses including funding the City's priority capital needs like transit expansion.

Revenues

Property Tax

Property tax revenue is the City's single largest source of revenue. The City collects $3.9 billion from residential and business property owners for municipal purposes, which represents 39% of its total tax-supported Operating Budget.

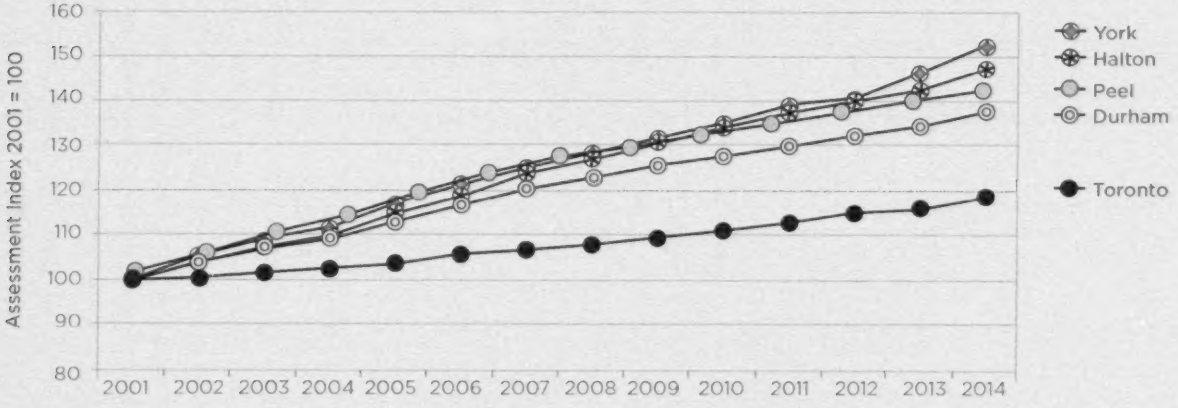
Each year, the City is required by provincial legislation to establish tax rates that raise property tax revenues in the amount of the City's budgetary requirement. In addition, the City is also required to levy and collect property taxes for school purposes at the education tax rates set by the Province.

The amount of property taxes payable by a property is determined by multiplying the Current Value Assessment (CVA) of a property by the applicable tax rate for that class of property (e.g., residential, commercial, industrial, or multi-residential) subject to any legislative or Council-mandated adjustments. The total tax rate for a class consists of a municipal tax rate necessary to meet the City's budgetary requirement and the education tax rate necessary to raise the amount required by the Province for education funding.

The Municipal Property Assessment Corporation (MPAC), a provincial agency, is responsible for property assessment in Ontario and preparing the assessment rolls for municipalities on a CVA basis. The CVA of a property represents an estimated market value, or the amount that the property would sell for in an open market, arm's length sale between a willing seller and a willing buyer at a fixed point in time, the assessment date.

Over the last two decades, the GTA experienced quite remarkable economic and population growth following the recession of the early 1990s. The Toronto region (CMA) contains a number of the fastest-growing municipalities in Canada. The bulk of the new construction and the associated assessment increases are located in the surrounding areas in the GTA. For example, from 2001 to 2014 the rest of the GTA had cumulative assessment increases in excess of 35%: York Region: 53%, Halton Region: 47%, Peel Region: 39%, and Durham Region: 38%. By contrast, Toronto's property assessment in 2014 is just 19% above its 2001 level, partly due to the conversion of certain industrial properties into residential properties. This trend is illustrated in the chart to follow:

Property Tax Assessment Growth 2001 to 2014



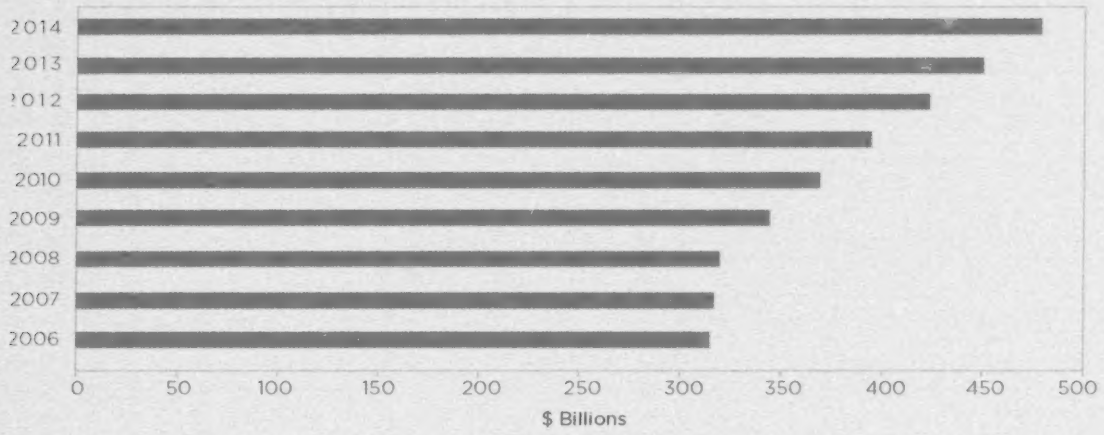
Source: Municipal Property Assessment Corporation

Property Assessment

The following chart depicts the total value of all taxable property classes of the City of Toronto's current value assessment in each of the years from 2006 to 2015.

Total Property Assessment Values

City of Toronto 2006-2014



Beginning in 1998, Ontario municipalities whose commercial, industrial or multi-residential tax ratios exceed threshold ratios established by the Province, were restricted from passing on municipal property tax levy increases to those classes. In Toronto, tax ratios for the commercial, industrial and multi-residential tax classes all exceed the provincial thresholds, as shown in the following chart. In years prior to 2004, this meant that no municipal levy (budgetary) increases could be passed on to these classes as the tax ratios exceeded the threshold limits. This meant that instead of accessing the full assessment base, the City could increase tax rates only on the residential class at the time.

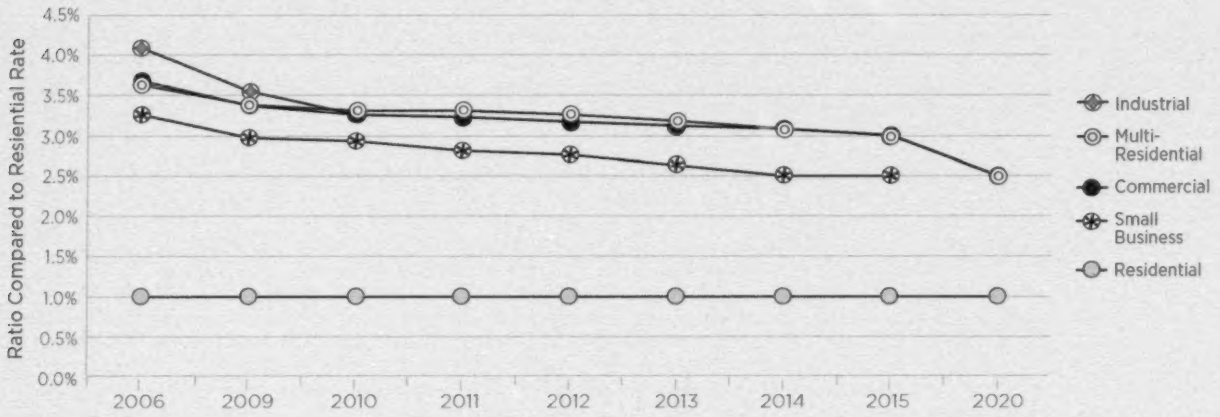
Toronto's Tax Ratios vs. Provincial Threshold Ratios

	Taxation Years									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Provincial Threshold Ratios
Multi-residential	3.635	3.546	3.469	3.380	3.316	3.316	3.316	3.224	3.118	2.74
Commercial	3.674	3.584	3.506	3.373	3.267	3.237	3.212	3.160	3.118	1.98
Commercial Small			3.410	3.265	3.108	3.020	3.070	2.997	2.922	1.98
Industrial	4.090	3.920	3.740	3.547	3.375	3.237	3.212	3.160	3.118	2.63

Since 2004, the Ontario Government has introduced regulations making adjustments to the municipal rules under the Ontario Property Tax System, which amongst other things, allowed tax rate increases on the non-residential classes to be no more than 50% of the tax rate increase for the residential tax class. Although the relaxing of the restriction on non-residential classes is not permanent, it does provide partial relief from the budgetary levy restrictions imposed by Provincial legislation.

In late 2005 Council approved a comprehensive property tax policy "Enhancing Toronto's Business Climate – It's Everybody's Business" to improve the business climate in the City. In 2006, Council implemented the policy of limiting municipal tax rate increases within the Commercial, Industrial, and Multi-Residential tax classes to one-third of the residential tax rate increase (i.e. a 3% residential tax increase would result in a 1% non-residential tax rate increase).This measure was designed to reduce non-residential tax ratios to 2.5 times the residential rate over 15 years. In addition, the policy provided for an accelerated tax rate reduction for neighborhood retail and small businesses that will see their tax ratios fall to 2.5 times residential within ten years (2015).

Business Taxes Have Been Reduced



Other City efforts to enhance competitiveness have resulted in a successful agreement with the provincial government to reduce Business Education Tax (BET) rates for City of Toronto businesses closer to the average of the surrounding GTA municipalities, creating a new, fair water rate structure for industrial and manufacturing companies and continuing the relief of development charges for the city's commercial industry.

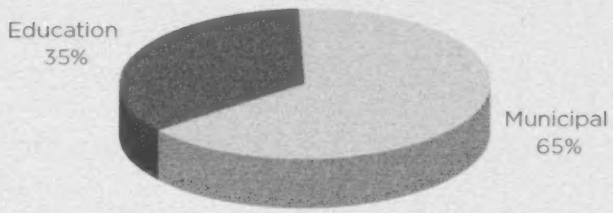
The Municipal Act and the City of Toronto Act mandates limits on re-assessment related tax increases for the commercial, industrial and multi-residential property classes. The amount of tax revenues foregone as a result of this cap, however, is fully recovered by an equivalent amount that is clawed-back from properties facing tax decreases.

Special provisions to provide tax relief for low-income seniors and disabled persons, as well as charities and similar organizations, are also in place. Tax relief policies in effect for 2015 include:

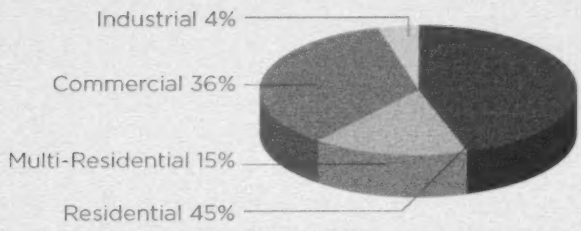
- The cancellation of any tax increase for low-income seniors aged 65 or older, or low-income disabled persons with a household income of $38,000 or less, who have occupied their home for at least one year, and the home's assessed value is equal to or less than $715,000.
- The interest-free deferral of any tax increase for low-income seniors aged 65 years or older, or aged 60-64 years and receiving a Guaranteed Income Supplement and/or Spousal Allowance, or aged 50 years or older and receiving either a registered pension or pension annuity, or low-income disabled persons, receiving support from one or more specified disability programs, whose household income is $50,000 or less, and have owned the property for at least one year.
- A 40% rebate of taxes paid for registered charities owning or occupying space in commercial or industrial properties and meeting other conditions of the program.

City of Toronto Property Tax Levy

2014 Total Property Tax Levy



Municipal Levy $3.762 Billion



Education Levy $1.999 Billion

The chart below illustrates the 2014 taxes payable for the average household in Toronto with an assessed value of $499,521.

	2014 Tax Rate	2014 Property Tax
Municipal Purposes	0.5200085%	$2,598
Educational Purposes	0.2030000%	$1,014
Total	**0.7230085%**	**$3,612**

Funding Transfers from Other Governments

The City receives grants and subsidies from other orders of government which are mainly for mandated programs such as Social Assistance, Child Care, Public Health, Toronto Paramedic Services, Social Housing, and some Transit capital funding. These transfers represent about 27% of its Tax-Supported Operating Budget.

User Fees

User fees are the City's third largest source of funding for the Operating Budget after Grants and Subsidies from Other Governments. Excluding Rate-Supported Programs, the City collects over $1.7 Billion in user fee revenues annually through approximately 3,000 individual user fees. The largest component is TTC passenger fares of $1.2 Billion, which generates about 67% of the TTC's operating funding.

As a result of a comprehensive User Fee Review in 2011, City Council approved a new corporate policy for establishing the initial and annual price of user fees and determining the amount that should be recovered.

A new funding system for Solid Waste Management Services, the volume-based rate structure, was implemented November 1, 2008 to fund the service objective of 70% waste diversion. This funding plan transformed Solid Waste Management (garbage, recycling, green bin, litter prevention, landfill management and other diversion programs) from being property-tax-based to user-fee-based. Its fees are now part of the City's Utility Bill, together with the water charges. The entire Solid Waste Management program is now funded from revenue other than property taxes (representing user fees, funding from Waste Diversion Ontario, and sales proceeds from recyclable materials).

Development Charges

Development charges are fees collected from developers at the time a building permit is issued and represent an important source of funding for the Capital Budget. The fees help pay for the cost of growth-related, eligible capital projects (and related operating costs). Many municipalities in Ontario use development charges to ensure that the cost of providing infrastructure to service new development is not imposed on existing residents and businesses in the form of higher property taxes.

City Council adopted a new Development Charges Bylaw on October 8-11th, 2013, in accordance with the requirements of the Development Charges Act, 1997 and related Regulations, with higher rates: 75% increase in residential rates and 25% for non-residential rates. In order to mitigate the potential adverse effect of the higher development charges on the rate of development in the City, the new by-law includes a schedule to phase-in the adopted rates over a two year period.

The following categories of services are eligible for varying pre-determined portions of development charge revenues:

- Spadina Subway Extension - 8.0%
- Transit (Balance) - 26.1%
- Parks and Recreation - 16.2%
- Library - 4.5%
- Subsidized Housing - 3.7%
- Police - 2.1%
- Fire - 1.0%
- Emergency Medical Services - 0.6%
- Development-related Studies - 0.8%
- Civic Improvements - 0.6%
- Child Care - 1.0%
- Health - 0.2%
- Pedestrian Infrastructure - 0.2%
- Roads & Related - 13.5%
- Water - 11.0%
- Sanitary Sewer - 8.3%
- Stormwater Management - 2.2%

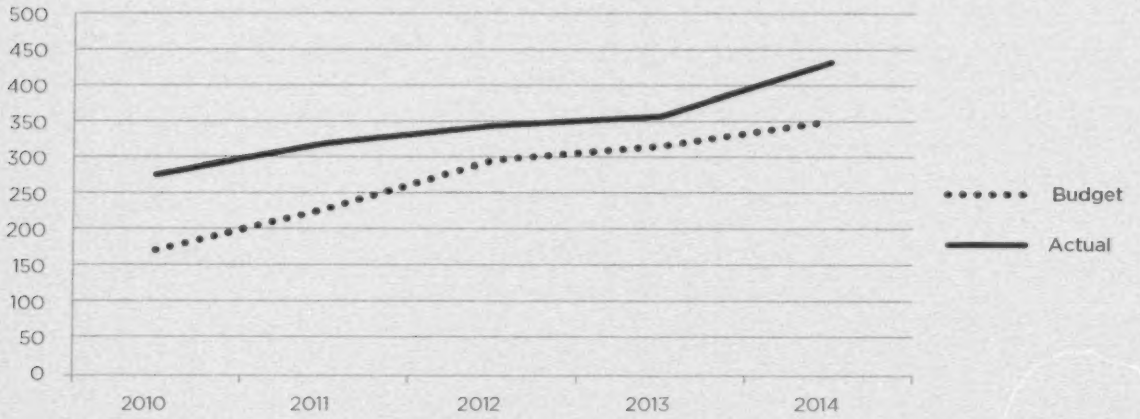
Note: Percentages relate to Development Charges for a Two Bedroom and Larger Apartment on November 1st, 2014

Other Taxation

The City of Toronto is the only Ontario municipality with the legislative authority (City of Toronto Act, 2006) to levy taxes other than property taxes. The Municipal Land Transfer Tax (MLTT) was implemented on February 1, 2008, and Personal Vehicle Tax (PVT) on September 1, 2008. In 2010, the two taxes brought in revenues in excess of $320 million, or approximately 3% of the total tax-supported Operating Budget. On December 16, 2010, City Council approved the termination of the City's Personal Vehicle Tax (PVT) effective January 1, 2011.

MLTT revenues continue to exceed expectations. In 2014, MLTT net revenues reached $432 million, as continued low mortgage rates have helped to keep housing sales strong in the City of Toronto. The chart to follow illustrates how actual revenues from 2010–2014 compared with budget revenues.

Municipal Land Transfer Tax
Budget vs. Actual Revenue ($ Million)



City Council approved the Third Party Sign Tax in 2009. Implementation of the tax, however, was delayed by a court challenge from the outdoor advertising industry. After a favourable court ruling in 2012, the City began a retroactive collection of sign tax revenues for the period from 2009 to 2012. In 2013, City Council approved a plan to use Third Party Sign Tax revenues, to boost Arts & Culture funding.

Credit Rating

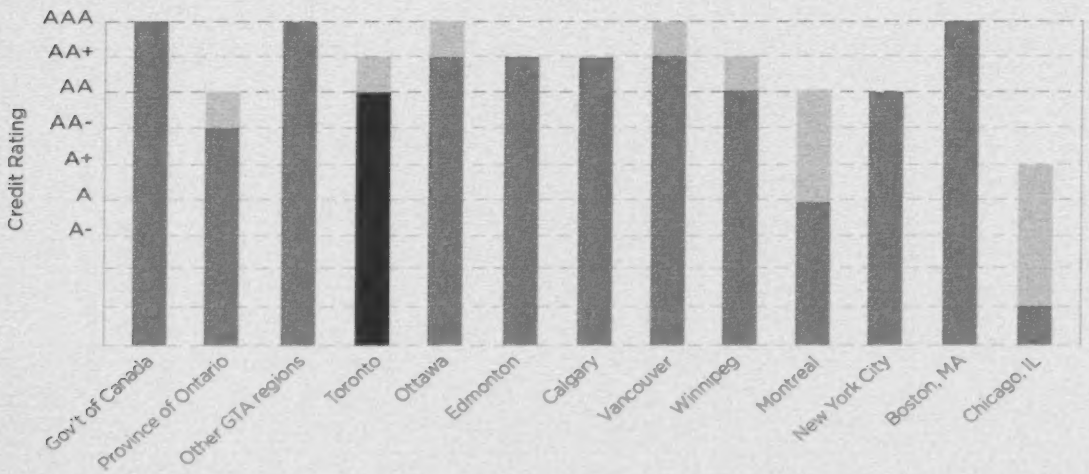
The City of Toronto is recognized as an important participant in global financial markets. The maintenance of a high quality credit rating is essential to ensure that the City's ability to access the most cost-effective world capital markets will continue as it needs to borrow funds for capital purposes.

Credit rating agencies consider a number of factors, such as quality of management, strength of economy; level of reserves, state of repair of assets, debt levels, etc. If a municipality's current debt levels and future trends appear to be high, this will have a negative impact on its credit rating. If debt levels are considered low, this will have a positive impact. The rating essentially indicates the City's ability to make payments on its debt now and in the future.

Credit ratings affect the City's ability to borrow, as well as the cost of borrowing. A higher rating translates into a lower cost of borrowing, as well as a wider market for investors to invest in City debt. Below a certain rating, investors may have policies that do not allow them to purchase the City's debt.

The City's credit rating remains comparable to other large North American cities such as New York, Boston, Vancouver and Montreal.

Toronto's Credit Rating



Range of ratings by Moody's, S&P's & DBRS

Toronto's credit rating: Moody's: Aa1 (=AA+); DBRS: AA (stable), S&P's: AA (stable)

Currently, the City of Toronto's credit ratings are:

- AA with a stable outlook from Standard and Poor's Canada (S&P's) – confirmed October 30, 2014
- Aa1 with a stable outlook from Moody's Investor Service – confirmed October 14, 2014
- AA with a stable trend from the Dominion Bond Rating Service Ltd.(DBRS) – confirmed April 2014

City of Toronto's Credit Rating History	1997 and prior	1998–2001	2002–2014
Dominion Bond Rating Service	AAA	AA (High)	AA (Stable)
Standard and Poor's	AA+/AAA	AA+	AA (Stable)
Moody's Investors Service	Aa2	Aa2	Aa1 (Stable) (Equivalent to AA+)

Credit Rating agencies regularly issue reports respecting the industries and individual issuers. Here are some of the excerpts from those reports that generally explained the high rating held by the City of Toronto:

"We are affirming our 'AA' long-term issuer credit and senior unsecured debt ratings on the City of Toronto... The ratings on the City of Toronto, in the Province of Ontario, reflect Standard & Poor's opinion of the city's very strong economy, exceptional liquidity, low debt burden, strong financial management, and strong budgetary flexibility. The ratings also reflect our positive view of the "predictable and well-balanced" institutional framework for Canadian municipalities and moderate contingent liabilities... The stable outlook reflects Standard & Poor's expectation that Toronto's deep and diversified economy will continue to grow at healthy rates in the next two years. Liquidity should remain exceptional despite the possibility of reserve draws for capital funding. We also expect that the city's debt burden will stay well below 60% of projected operating revenues".

Standard & Poor's, October 30, 2014

"Toronto's focus on finding cost efficiencies has led to improving operating surpluses that support the city's strong credit quality and stable outlook...Toronto has demonstrated an aptitude for fiscal restraint and kept expenditure growth below revenue growth, supporting steady improvements in the city's gross operating balance and a reduction in the use of non-recurring measures to close budget gaps."

Moody's Investors Service, October 14, 2014

"DBRS has confirmed the ratings of the City of Toronto (the City or Toronto) at AA. All trends remain stable reflective of the City's ability to levy taxes on a large, well-diversified economy, and demonstrated fiscal prudence in recent years....Encouragingly, operating expenditures declined by 2.7% in 2012, as spending was down across most departments Unfilled staffing vacancies and negotiated settlements spurred the decline, as did a milder winter which led to lower repairs and maintenance spending at the TTC and the transportation department ... Interest costs remained affordable at 2.8% of operating expenditures in 2012, and were favourable to other DBRS-rated municipalities. Liquidity remained healthy, as cash and investments (net of deferred revenue), rose to 3.3 billion at year-end 2012."

DBRS, April 24, 2014

Toronto's Long–Term Fiscal Plan

City Council unanimously approved the Long–Term Fiscal Plan at its meeting on April 12, 2005, as recommended by the Ad Hoc Committee to Develop a Long–Term Fiscal Plan. The Long Term Financial Plan identified eight major financial issues relating to Expenditures, Revenues, and Assets & Liabilities, and contained 25 financial strategies, 17 fiscal principles and five financial policies.

Implementation of the Plan

The City has made much progress since introducing the comprehensive Long–Term Fiscal Plan (LTFP) in 2005. City Council has taken many steps to implement the recommendations of the Plan, while working with other orders of government to improve the funding of capital programs such as transit, and provincial cost–shared programs.

The following LTFP Scorecard summarizes the major financial issues identified in the 2005 Plan and the current status:

Identified in the Long–Term Fiscal Plan 2005	Current Status	Score
Well Managed (Expenditures) • City has higher costs than other municipalities • Demands for growth need to be adequately funded • Upload of social services and transit partnership	Costs reduced	✓
	Expenditures growth slowed – but still growing	✓
	Social Services & Court Security upload Restore 50% funding on OW admin costs	✓
	Upload of Social Housing costs	✗
	Restore 50% provincial funding for transit operating costs	✗
Affordable (Revenues) • Business taxes need to be more competitive • Revenue growth need to match responsibilities/ growth • Province needs to properly fund income support programs • New revenues for City building and growth	Improving business competitiveness	✓
	Revenues diversified – Provincial upload on schedule; user fees enhanced	✓
	Secured permanent share of Fed/Prov. Gas Tax	✓
	Share of Harmonized Sales Tax	✗
Sustainable (Assets & Liabilities) • Ageing infrastructure must be replaced while minimizing debt • Employee benefits and other liabilities need to be adequately funded	10 Year Capital Plan – More than 70% to be spent on State of Good Repair (SOGR)	✓
	Debt increase mitigated	✓
	Sick Pay liability partially capped, but some liabilities still growing	—

Legend ✓ Improving or compares favourably — Stabilizing or work in progress ✗ Not achieved

Update of the Long–Term Fiscal Plan

The Long Term Fiscal Plan is currently being updated as one of 26 strategic actions of the City's 2013–2018 Strategic Plan. The revised plan is scheduled to be presented to City Council in Fall 2015.

Performance Measurement and Benchmarking Results

To provide context when examining Toronto's service delivery performance, it is important to consider that municipal property taxes represents approximately 9 per cent of the total taxes, in all forms, paid annually by an average Ontario family to all orders of government. These various forms of taxes include income taxes, Employment Insurance and Canada Pension Plan premiums, consumption taxes such as the HST, and embedded taxes, which are included in the price of items such as gasoline, liquor and tobacco.

Toronto's Performance Measurement and Benchmarking results are available at *www.toronto.ca/progress*, and focuses on how Toronto utilizes its 9 per cent share of the total tax dollar and includes:

- Approximately 50 service / activity level indicators and 177 performance measurement results (efficiency, customer service and community impact) in 36 different service areas;
- Up to ten years of Toronto's historical data to examine internal trends;
- A comparison of Toronto's results externally to 13 other municipalities through the Ontario Municipal CAOs' Benchmarking Initiative (OMBI), which now includes the cities of Calgary and Winnipeg;
- Colour-coded summaries of results and supporting charts to describe those trends;
- A description of achievements and planned initiatives that will further improve Toronto's operations in the future; and
- Web links where similar neighbourhood-based data is available through Wellbeing Toronto (*http://map.toronto.ca/wellbeing/*) that complements the city-wide information.

Summary of Toronto's Performance Measurement & Benchmarking Results

Toronto is unique among Canadian municipalities because of its size and role as Ontario's and Canada's economic engine and centre of Ontario's business, culture, entertainment, sporting and provincial and international governance activities. The most accurate comparison for Toronto is to examine its own year-over-year performance and longer term historical trends.

Notwithstanding Toronto's unique place in Ontario, there is also value in comparing Toronto's results to the results of other municipalities, to provide an external perspective.

By examining our own operations and by working with other municipalities through the OMBI process, these practices encourage Toronto's service areas to continuously look for opportunities to improve operations and performance. Many of these improvement efforts completed or planned for are summarized in the report including:

- Initiatives to improve customer service
- Efficiency improvement initiatives
- Initiatives to improve effectiveness
- Initiatives to improve the quality of life for Torontonians

Summary of Toronto's results

The 36 municipal services included in the report each have a colour coded summary of results at the front of their respective sections, and are supported with and referenced to charts and detailed narratives for approximately 230 indicators and measures. Highlights of Toronto's overall results are described below.

Internal Comparison – Service/Activity levels indicators

Of the 50 service/activity level indicators included the report, levels in Toronto in 2013 increased or were maintained (stable) for 90% of the indicators in relation to 2012.

Examples of some of the areas in which Toronto's 2013 service levels or levels of activity increased were:

- More building permits issued
- Increased library holdings
- More park land and trails added
- More registered sports and recreation programming were offered
- More transit vehicle hours were provided

Internal Comparison – Performance Measures

Of the 177 performance measurement results of efficiency, customer service and community impact included in the report, 62% of the measures examined had 2013 results that were either improved or stable relative to 2012.

Examples of areas where Toronto's 2013 performance improved include:

- Higher number of invoices processed by staff
- Increased commercial/industrial construction values
- Decrease in time to resolve a property standards complaint
- High rate of satisfaction with the services received from Court Service
- Increase in the number of green vehicles
- Decreased crime rates in all crime categories
- Reduction of fire-related injuries and fatalities
- Increased public transit usage

External Comparison – Service/Activity Level Indicators

There are 54 service/activity level indicators included in the report for which Toronto's results can be compared and ranked with other municipalities. Toronto's service/activity levels are at or higher than the OMBI median for 69 per cent of the indicators.

There were only small changes in Toronto's quartile rankings for each of the service/activity level indicators in relation to other municipalities between the 2011 and 2012 benchmarking reports. Any changes in Toronto's quartile ranking for individual indicators will likely only occur over much longer time periods.

Some of the key factors that influence Toronto's results for service/activity level indicators in relation to other municipalities include the following:

- Services where Toronto's size and high population density requires higher service levels, indicative of large densely populated cities, such as higher levels of police staff, more transit vehicle hours and a larger library collection
- Higher needs and demands in a large city like Toronto for social programs such as childcare, social assistance, social housing and emergency hostels/shelters
- Fewer facilities or less infrastructure can be required in densely populated municipalities like Toronto because of proximity and ease of access, while other less densely populated municipalities require proportionately more facilities or infrastructure to be within a reasonable travel distance of their residents. Examples include the number of recreation facilities, libraries and kilometres of roads
- Fewer emergency services vehicle-hours may be required in densely populated municipalities like Toronto because of the close proximity of vehicles and stations to residents, which allows for more timely emergency response. This proximity, however, can be partially offset by higher traffic congestion, which reduces the speed of responding vehicles. Those municipalities with lower population densities may require proportionately more vehicle hours in order to provide acceptable response times

External Comparison – Performance Measures

There are 148 measures of efficiency, customer service and community impact in the report where Toronto's results can be compared and ranked with other municipalities.

Toronto's results are higher than the OMBI median for 49 per cent of the measures. There was very little change in Toronto's quartile ranking for each of the performance measures in relation to other municipalities between the 2012 and 2013 benchmarking reports. Changes in Toronto's quartile ranking for individual measures are more likely to occur over a five year period or longer.

Areas where Toronto has the top/best result of the OMBI municipalities include:

- Highest rate of library uses per capita
- Highest percentage of roads among single-tier municipalities, with a pavement condition rating of good to very good
- Highest number of conventional transit trips per person
- Higher percentage of maintained and natural parkland in relation to geographic area
- Shorter time required to inform a client that they are eligible for social assistance

Other examples where Toronto's performance is better than the OMBI median include:

- Higher rates of total construction value of all building permit types
- Fewer by-law complaints per 100,000 population
- Lower rates of fires as well as fire-related related injuries and fatalities, and a shorter/quicker response time
- Lower cost of EMS per patient transported
- Lower cost of governance and corporate management
- Lower amount of reactive (unplanned) vehicle maintenance as a percentage of all vehicle maintenance
- Higher proportion of patients with cardiac arrest that have their pulse return upon arrival at the hospital
- Higher number of visits to municipal website
- Lower cost of managing investments and a higher rate of return on those investments
- Higher levels of library use per capita, and more frequent circulation of items
- Lower rates of youth crime and property crime
- Lower amount of time to inform a client they are eligible for social assistance
- Lower costs to administer social housing
- Higher solid waste diversion rate for houses & multi-residential apartments, and fewer complaints per household
- Higher utilization rate of registered sports and recreation programs
- Lower proportion of property tax arrears
- High utilization rate of transit vehicles (trips per capita)
- Lower Court/POA costs per charge filed
- Lower cost to treat drinking water

Other Methods of Assessing Toronto's Progress

Toronto's award-winning initiatives

Throughout 2014 and 2015, Toronto's initiatives received numerous awards from external organizations. A few of these awards are noted below:

- The City of Toronto won the Canadian Award for Financial Reporting (CAnFR) from the Government Finance Officers Association (GFOA) for the 2013 Annual Financial Report. This award recognizes governments that show transparency and go beyond generally accepted accounting principles set out by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants (CPA) of Canada.
- In 2015, the Economic Development and Culture division received two awards of excellence from the Economic Developers Council of Ontario. Scotiabank Nuit Blanche received an award for its public-private partnership while the Signature Sites Collection 2014 document received an award as best publication in a large community.
- The City of Toronto was the recipient of the 2015 Ontario Wood Award, which is presented annually to an organization that has made an outstanding contribution to promoting and supporting local wood programs and producers. The City was also recognized for its urban forestry services and for its innovative programs for turning wood from diseased trees into usable lumber.
- The City of Toronto's Graffiti Management Plan has been honoured with the Silver Award for Leadership in Municipal Government by the Institute of Public Administration of Canada (IPAC) and Deloitte. The City's Graffiti Management Plan is an integrated approach to graffiti and street art that combines enforcement, removal and beautification through the StARToronto initiatives and improved co-ordination to support victims of graffiti vandalism and showcase street art and artists. The program is led by Transportation Services and Municipal Licensing and Standards in conjunction with the Toronto Police Service and community groups such as Business Improvement Areas, arts organizations and artists.
- The Communication, Education and Marketing Tools Excellence Award from the Solid Waste Association of North America (SWANA) recognizes excellence in the creation of individual, unique printed and digital resources intended to promote programs, ideas, or behavior change. The City of Toronto won Bronze in both categories for its "Chuck and Vince – We Want It!" campaign.
- The City of Toronto was recognized for its commitment to showing waste reduction leadership and innovation by the Recycling Council of Ontario. It received a Gold award for its Community Environment Day events. It also received the highest points for "Municipal Special Project".
- The City of Toronto was recognized for its waste reduction leadership and innovation by the Recycling Council of Ontario. It received a Gold award in the Municipal Communications category for its 'Get with the Program' advertising campaign.
- Toronto Water received the 2015 Great Lakes and St. Lawrence Cities Initiative Water Conservation Framework 'Most Innovative Water Conservation Method Award' for its Industrial Water Rate strategy that helps the Industrial, Commercial and Institution's sector realize water conservation.
- Ontario Water Works (OWWA) presented Toronto Water the Albert E. Berry Membership Award in recognition of the valuable contributions made by the City of Toronto to OWWA.
- Social Development Finance and Administration received the IPAC 2014 Finalist Award for its partnership with the City Clerk's Office on the City's Open Government Initiative. Specifically, the City of Toronto's Open Government Initiative was recognized as a finalist for the Leadership in Municipal Government award.

The City Manager's Awards for Toronto Public Service Excellence

In addition to various external awards the City Manager's Office also recognizes divisional and cross-corporate initiatives. The award is presented annually to a City division or program that has achieved a high and measurable standard of excellence. In 2014, the City Manager's Awards were presented to three initiatives, including:

- The Customer Service in a Crisis Situation (City Clerk's Office and the Centre for Addiction and Mental Health) training initiative won the Human Rights, Access, Equity & Diversity category.
- The Toronto Building Electronic Service Delivery project (Toronto Building) won the Divisional Project category.
- The Toronto Urban Fellows Program (Human Resources) won the Cross-Corporate Project category.

For more information about current and past City Manager's Awards for Public Service Excellence, please visit the City's website.

Other indicator reports

This report focuses on performance measurement results in specific service areas. It is by no means the only type of reporting conducted by Toronto in this area. Links to other indicator reports issued by the City of Toronto or in association with the City, are noted below:

- Management Information Dashboard (Quarterly) *http://www.toronto.ca/progress*
- Wellbeing Toronto (Neighbourhood Indicators) *http://map.toronto.ca/wellbeing/*
- Economic Indicators: *http://www.toronto.ca/business_publications/indicators.htm*
- Toronto Community Health Profiles: *http://www.torontohealthprofiles.ca/*
- Children's Report Card: *http://www.toronto.ca/reportcardonchildren*
- Federation of Canadian Municipalities: *http://www.fcm.ca/home/resources/reports.htm*
- Vital Signs (Toronto Community Foundation): *http://www.tcf.ca/torontos-vital-signs*

The World Council on City Data (WCCD) And ISO-37210 Standards

In addition to the benchmarking and performance initiatives described in the sections above, there is also a need to complement existing benchmarking work within Canada by comparing Toronto's results to other global cities. Toronto, in partnership with the Global Cities Indicator Facility based at the University of Toronto, is a member of the World Council on City Data (WCCD) and recently released a new International Standard for city indicators, or the ISO-37120. The availability of reliable and comparable indicator data as a result of the ISO-37120 certification process has afforded Toronto the opportunity to work with other global cities, who are also WCCD members, to compare, share and learn from each other on different approaches to urban issues such as gridlock, adequate city revenue tools, aging infrastructure, air quality, aging populations, youth unemployment, public safety and social inequity. The WCCD Foundation cities that are now certified with ISO-37120 designation include:

Amsterdam
Amman
Barcelona
Bogota
Boston
Buenos Aires
Dubai
Guadalajara
Haiphong
Helsinki
Johannesburg
London
Makati
Makkah
Minna
Melbourne
Rotterdam
Sao Paolo
Shanghai

The indicators currently identified by ISO-37120 cover a total of 100 indicators across a range of themes relating to quality of life indicators, as well as indicators on service levels and the outcomes or impacts that these services have on residents. The responsibility of city governments under these theme areas can vary from one country to another, as well as within a country. Federal and Provincial or State governments can play an important role in the outcomes in many of these theme areas.

Using the ISO standardized city indicators provides cities with a common language and standardized technical definitions in measuring city performance, as well as a global framework for third party verification of city data. International standardization of city data is important so that the data is reliable and useful for making meaningful comparisons among cities. Comparable data supports more informed and fact-based decision making on urban issues that are important to residents, and will enable cities to share better practices in becoming sustainable and prosperous.

WCCD data from Toronto, and other participating cities is available at *www.dataforcities.org* and efforts are underway to allow Toronto to compare its results relative to these other cities.

Toronto Progress Portal

The Toronto Progress Portal website (*http://www.toronto.ca/progress*) is an initiative intended to consolidate, in one location, multiple sets of performance and indicator data and other information that will allow users to better understand how Toronto is progressing over multiple dimensions. The Portal is still in development, using existing web functionality and will continue to evolve, but will include information or links to items such as:

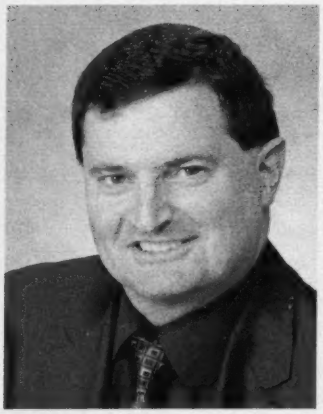
- Service delivery performance
- Dashboards that describe the social and economic conditions for Toronto
- Toronto in world rankings done by third parties
- Neighbourhood level indicators (Wellbeing Toronto)
- Awards won by the City
- Customer Service Standards

Summary

The City continues to promote a continuous improvement culture in order to provide our residents and businesses with services that are as efficient and effective as possible, looking for the optimal combination of efficiency, quality and beneficial impact on our communities.

For additional information on the City of Toronto's progress please visit our website at *www.toronto.ca/progress*

Treasurer's Report



Mike St. Amant
Acting Treasurer

The Consolidated Financial Statements are intended to provide Council, the public, the City's debenture holders, and other stakeholders, an overview of the state of the City's finances at the end of the fiscal year and indicate revenues, expenses and funding for the year.

The preparation, content and accuracy of the Consolidated Financial Statements and all other information included in the financial report are the responsibility of management.

As required under Section 231 of the City of Toronto Act, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as set by the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting Board (PSAB).

These Consolidated Financial Statements have been audited by Pricewaterhouse Coopers LLP whose role is to express an independent opinion on the fair presentation of the City's financial position and operating results and to confirm that the statements are free from material misstatement. The external auditor's opinion is to provide comfort to third parties that the financial statements can be relied upon.

Consolidated Financial Statements

The Consolidated Financial Statements include the following individual statements:

Name	Purpose
Consolidated Statement of Financial Position	Summarizes the assets (financial and non-financial), liabilities, net debt, and accumulated surplus as at December 31st.
Consolidated Statement of Operations and Accumulated Surplus	Outlines revenues, expenses, surplus for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital, reserve and reserve funds for the City and its consolidated entities, and provides the calculation of the City's accumulated surplus at year end.
Consolidated Statement of Net Debt	Outlines the changes in net debt as a result of annual operations, tangible capital asset transactions, as well as changes in other non-financial assets.
Consolidated Statement of Cash Flows	Summarizes the City's cash position and changes during the year by outlining the City's sources and uses of cash.

The Consolidated Financial Statements combine the financial results of the City's divisions with the financial results of the agencies and corporations, and government business enterprises that the City effectively controls. There are 119 entities that are directly included in the financial statements and these are listed in Note 1 to the Consolidated Financial Statements. There are also a number of subsidiaries of agencies and corporations which are not included in the entity count above. The notes to the statements provide further detail about the City's financial results and are an integral part of the statements.

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's balance sheet. This statement focuses on the City's assets (financial and non-financial) and liabilities. The difference between the liabilities and financial assets is the City's Net Debt, which represents the net liabilities that must be financed from future budgets.

The detailed breakdown of the accumulated surplus, including all of its components:

- amount invested in capital assets;
- operating fund, capital fund, reserve and reserve fund balances; and,
- amounts to be recovered from future revenues,

are reflected in Note 17 to the Consolidated Financial Statements.

The City has received funds for specific purposes under legislation, regulation or agreements. The recognition of these funds as revenues has been deferred until related expenses occur in the future. For example, development charges, parkland dedication fees and certain Federal and Provincial Government transfers received (such as public transit funding), are not recognized as revenues until such time as the projects are constructed. These restricted funds are included in liabilities as "Deferred Revenue" and not in the accumulated surplus. A breakdown of the City's deferred revenue obligatory reserve funds can be found in Note 8(a) to the Consolidated Financial Statements.

As a result of the significant investment in tangible capital assets, there is a large accumulated surplus, which occurs at the same time that the City has a significant net debt, which must be financed through future revenues. Although tangible capital asset balances are considerable for municipalities – much larger on a percentage basis than any other level of government – they do not provide liquidity (i.e. cash), and are not typically available for sale, the proceeds of which could be used for other purposes. It is for this purpose that tangible capital assets are not included in the calculation of net debt, arguably the most important financial statistic for governments.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is considered to be the municipal equivalent to the private sector's Statement of Income and Retained Earnings.

The Consolidated Statement of Operations and Accumulated Surplus provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the change in accumulated surplus.

The 2014 budget values presented in this statement have been adjusted to reflect the differences between amounts as budgeted at the City on a modified "cash requirements" basis and amounts recorded in these financial statements on a "full accrual" basis. Note 18 outlines the adjustments to the approved budget, particularly exclusion of debt proceeds, principal payments, and tangible capital asset purchases, and inclusion of estimated amortization expense. These adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The accrual based budget typically results in a surplus, as the City must fund reinvestment in assets at amounts greater than their historical cost.

Consolidated Statement of Net Debt

The Consolidated Statement of Net Debt is unique to governments. This statement focuses on the debt of the City, adjusting the annual surplus for the impact of tangible capital assets: mainly deducting the costs to acquire assets, and adding back amortization charged during the year.

Net Debt is a term defined by the Public Sector Accounting Board (PSAB) as all liabilities (both shorter and longer term liabilities) less financial assets. Net Debt (also referred to as net liabilities) may be materially different than the amount of the City's consolidated outstanding debt captured as "Net long-term debt" on the City's Consolidated Statement of Financial Position, details of which are provided in Note 12 of the Consolidated Statements.

Financial Condition

An important measure of any government's financial condition is its Net Debt (also referred to as net liabilities): calculated as liabilities (e.g. trade and employment payables, mortgages and debentures) less financial assets (e.g. cash, receivables, and investments).

The City's Net Debt as at December 31, 2014 increased by $0.8B to $5.4B (2013 – $4.6B). This increase is due primarily to the City's financing of tangible capital assets, offset by its considerable accounting surplus during 2014. For more information on the change in Net Debt, please refer to the Consolidated Statement of Change in Net Debt.

Table 1

Net Debt – 5 year Summary ($000's)

Net Debt	4 Year Average Annual Increase	2014	2013	2012	2011	2010
Liabilities	6.13%	13,828,081	13,117,281	12,505,032	11,672,374	10,899,622
Financial assets	6.67%	8,432,345	8,554,867	8,259,997	7,283,091	6,513,984
Net Debt	5.32%	5,395,736	4,562,414	4,245,035	4,389,283	**4,385,638**
Percentage Increase (decrease)		18.26%	7.48%	(3.29%)	0.08%	

The City's Net Debt has increased by a compound annual rate of 5.32% over the last four years, attributable mainly to increases in long-term debt to third parties and in long-term net employee benefit liabilities. Both of these items are dealt with in more detail later in this report.

In order to improve the City's financial position, the City continues to implement its Long Term Fiscal Plan. Some key measures included in the plan are: tax policies which enhance economic competitiveness and improve Toronto's business climate, utilization of user rate adjustments for environmental and cost control purposes, working with the Province to continue the upload of social service program costs, and working with other orders of government to obtain permanent, sustainable funding for transit and social housing.

Debt financing has grown and will continue to grow due to state of good repair funding requirements and increased focus on expanding public transit infrastructure to meet the demands of a growing population. However, the City's updated Capital Plan, which includes a non-debt financing strategy to fund additional capital needs, ensures a solid financing plan is in place for the next five years. The positive effects of implementing these financial plans are reflected in the City's AA (S&P, DBRS) and Aa1 (Moody's) independent credit ratings.

Another key indicator of a government's financial condition is the amount that must be recovered from future revenues as included in Note 17 of Consolidated Financial Statements. These liabilities include TCHC mortgages, debentures, employee benefit liabilities, property and liability claim provisions, landfill liabilities and environmental liabilities. In 2014, the total amount that must be recovered from future property taxes and other revenues grew by $511M to $8.7B (2013 - $8.2B). This increase mainly consists of:

- an increase of $244M in the net employee benefits liabilities as gross employee benefit liabilities increased by $506M offset by increase in unamortized loss of $262M;
- an increase of $15M in landfill closure and post-closure, as a result of the discount rate decrease for these liabilities;
- a net increase of $261M in mortgages and net long term debt; offset by
- a decrease of $9M in TTC environmental liabilities.

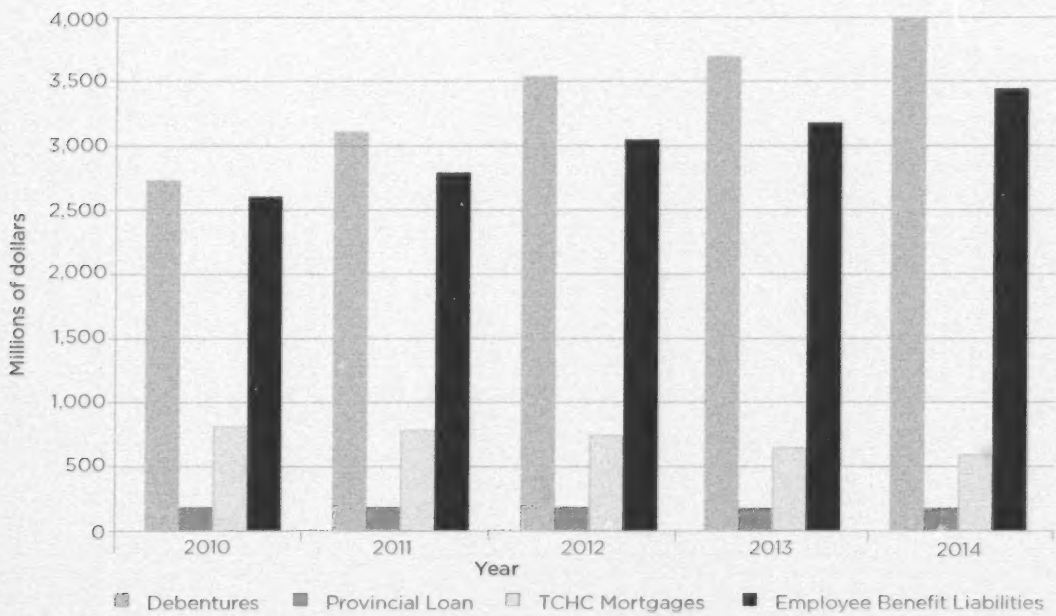
The significant growth in net long-term debt has been driven mainly by the need to finance transit capital expenditures and other transportation projects.

The growth of employee benefit liabilities in 2014 has been driven primarily by lower discount rates in 2014 and change in regulations announced by the Ontario Government in May 2014 to include six additional cancers presumed to be work-related for Toronto Firefighters under the Workplace Safety and Insurance Act (WSIA) ($82.4M). Council has contained some of the growth of this liability through changes in benefit plans and other cost containment initiatives.

Chart A provides the breakdown of long-term liability growth by debt type.

Chart A

Long-Term Liabilities



Information on the mortgage liabilities of TCHC is provided in Note 11, the provincial loan and the City's debenture debt is outlined in Note 12, while further detail about the City's employee benefit liabilities is provided in Note 13 of the Consolidated Financial Statements.

To put the City's net liability (i.e. Net Debt) into a different context, Chart B expresses the Net Debt as a percentage of the City's own source revenues (excluding government transfers and earnings from government business enterprises). The net liability as a percentage of own source revenues has gone from 58.7% to 64.1% over the last five years.

Chart B

Net Debt as a Percentage of Own Source Revenues

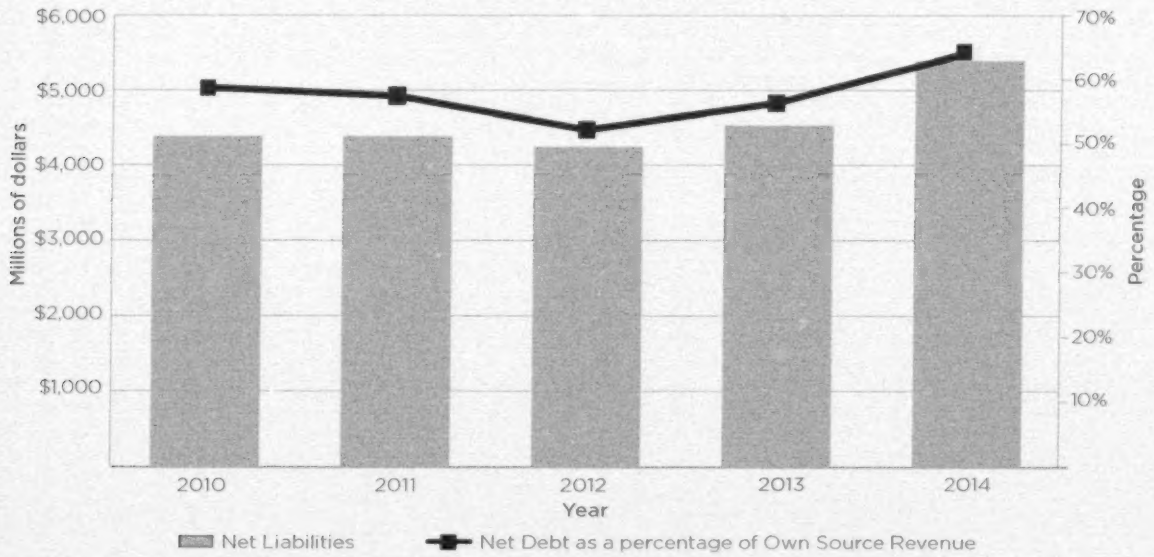
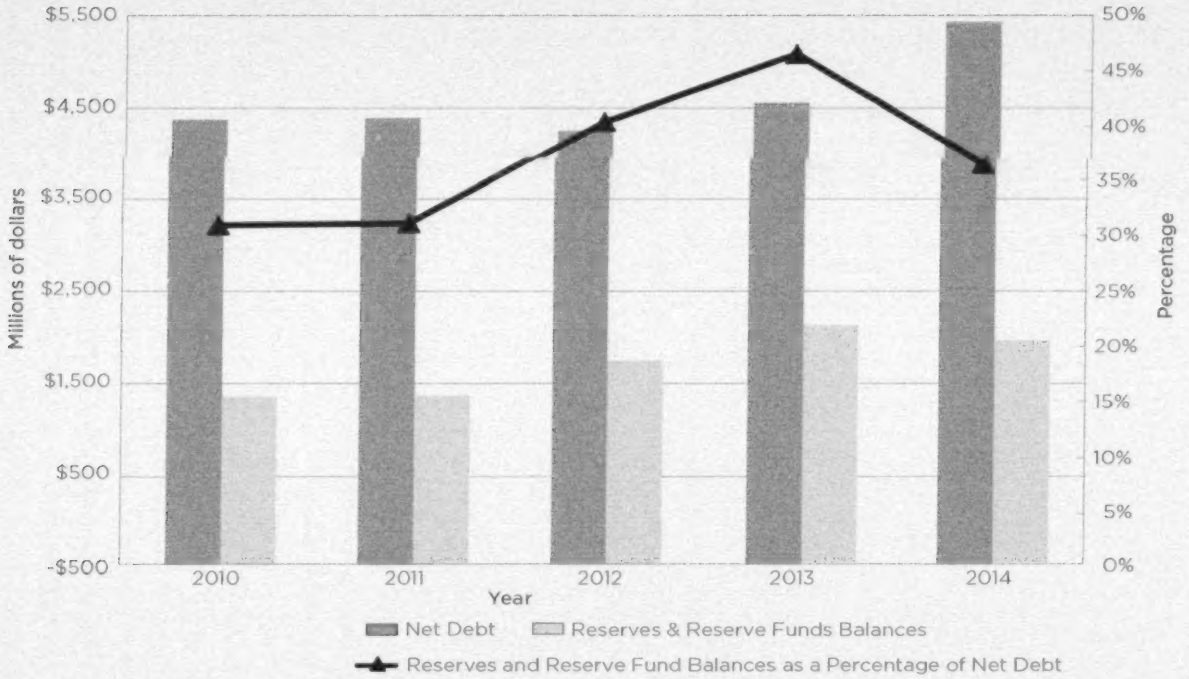


Chart C

Discretionary Reserves and Reserve Fund Balances as a Percentage of Net Debt



The City's Net Debt substantially exceeds the City's reserve and reserve fund balances as shown in Chart C. Reserves and Reserve Fund balances decreased in 2014 by $154M mainly due to capital funding from the Capital Financing Reserve. The vast majority of the reserve and reserve funds are committed to fund capital projects identified in the ten (10) year capital plan, and future known liabilities, leaving only a small portion available for discretionary spending. Also, the current balances of some reserve funds (e.g. Employee Benefits) provide only a small portion of the funding to cover the future obligations for which they have been set aside.

The balances of all the Obligatory Reserve Funds are restricted for specific purposes as designated by legislation or contractual agreements and all capital reserves/reserve funds are required to replace and maintain capital assets.

If the Obligatory Reserve Funds were included in Chart C, then the Reserve and Reserve Fund Balances would be 66% of Net Debt (2013 - 76%).

For financial statement purposes, PSAB requires that Obligatory Reserve Fund balances (such as development charges and unspent provincial public transit funding) be classified as deferred revenue (Note 8(a) of the Consolidated Financial Statements). As a result, the reserve and reserve fund balances in the financial statements (Note 17), are lower than those included in staff reports to the Budget Committee.

Analysis of Key Asset and Liability Accounts

Accounts Receivable

The breakdown of accounts receivable at December 31, 2014 with 2013 comparatives is as follows:

(in $'000s)

Accounts Receivable	2014	2013
Government of Canada	155,458	170,185
Government of Ontario	328,893	190,679
Other municipal governments	23,437	28,055
School board	519	394
Utility fees	146,942	155,953
Other fees and charges	398,349	414,630
Total	**1,053,598**	**959,896**

Accounts receivable balances increased by $94M in 2014. The increase consists primarily of the following:

- decrease in receivable from Government of Canada ($15M) due to the following:

	($ millions) **Increase (Decrease)**
Increase in HST rebates receivable	12.1
Toronto York Spadina Subway Extension (TYSSE)	(26.7)
Other increases and decreases	(0.4)
Total	**(15.0)**

- increase in receivable from Government of Ontario ($138M) due primarily to the following:

	($ millions) **Increase (Decrease)**
Provincial Gas Tax Accrual	81.0
Change in accrual of Ice Storm Recovery	19.1
Ministry of Municipal Affairs and Housing – Affordable Housing Renovation and Retrofit Program increased accrual	17.7
Ministry of Community and Social Housing increased accrual	17.7
Other increases and decreases	2.5
Total	**138.0**

- decrease in receivable from York Region ($5M), due primarily to lower receivable at year end from York Region for their contribution to the TYSSE;
- decrease in Utility fees receivable ($9M) primarily attributable to lower consumption in 2014 as compared to 2013; and
- decrease in other fees and charges ($16M) due primarily to:

	($ millions) **Increase (Decrease)**
Decrease in receivable in Court Services	(5.8)
Decrease in Parking Tag revenue accrual	(6.4)
Decrease in customer billings at year end	(3.2)
Other increases and decreases	(0.6)
Total	**(16.0)**

Taxes Receivable

Taxes receivable consists of all outstanding taxes, items that have been added to the tax roll (such as utilities arrears, drainage charges, and local improvement charges), accumulated penalties and interest charges, net of an allowance for uncollectible taxes.

A breakdown of this receivable is as follows:

	(in $'000s)	
Taxes Receivable	**2014**	**2013**
Current year	157,732	165,888
Prior year	27,255	28,085
Previous years	52,899	33,436
Interest/penalty	48,602	45,114
Less: allowance for doubtful accounts	(34,121)	(33,007)
Net Receivables	**252,367**	**239,516**

Other Assets (Note 3)

Other Assets increased by $19M to $262M (2013 – $243M) due primarily to increase in TCHC's equity in joint ventures.

Investments (Note 4)

Investments decreased by $90M to $4.6B (2013 – $4.7B) due primarily to higher cash outflows for capital projects.

Investment in government business enterprises (GBEs) (Note 5)

Investment in government business enterprises decreased by $32M to $1.80B (2013 – $1.84B). This is primarily due to dividends in excess of the IFRS surplus of Toronto Hydro of $48M and an increase in Toronto Parking Authority of $14M.

Additional information regarding the City's GBEs as at December 31, 2014, including 2014 transactions

for all GBEs with the City and condensed financial results, are provided in Note 5 and Appendix 1 to the Consolidated Financial Statements.

Accounts Payable (Note 7)

The breakdown of accounts payable and accrued liabilities at December 31, 2014, with 2013 comparatives, is as follows:

(in $'000s)

Accounts Payable	2014	2013
Local Board trade payables	771,245	732,763
City trade payables and accruals	1,151,408	1,162,483
Payable to school boards	347,506	416,827
Provision for tax appeals & rebates	278,386	346,965
Credit balances on property tax accounts	135,337	105,130
Wages accruals	103,231	170,667
Total	**2,787,113**	**2,934,835**

- Local Board trade payables are higher ($38M) in 2014 primarily due to increases in Toronto Transit Commission (TTC) trade payables.
- Payable to school boards was lower ($69M) in 2014 due to higher deposits and tax levy offset by much higher withdrawal by Toronto District School Board as compared to 2013.
- The provision for tax assessment appeals decreased by approximately $69M as there were fewer appeals pending as at December 31, 2014.
- The $30M increase in credit balances on property tax accounts is primarily due to the processing of assessment appeals which have not yet been refunded.
- Wage accruals were lower by $67M, as December 31 was a pay day.

Deferred Revenue (Note 8)

Deferred Revenue increased by $315M to $2B (2013 – $1.7B) primarily as a result of:

- increase in net funds received for Development Charges, Building Code and Planning Act of $251M;
- increase in Obligatory Reserve Funds for Water and Wastewater of $66M due to higher contributions as compared to withdrawals for capital purchases;
- increase in contribution from Metrolinx ($24M) for Union Station;
- increase in funds received for park levy payments of $33M; offset by
- decrease in Obligatory Reserve Funds for Public Transit of $58M due to withdrawals for transit capital purchases.

Other Liabilities (Note 9)

Other Liabilities increased by $2M to $649M (2013 – $647M), mainly as a result of:

- an increase in Toronto Transit Commission (TTC) unsettled accident claims ($14M);
- an increase in tree guarantee deposits and tree planting donations of $2M; offset by,
- a decrease in property and liability claims provision ($6M); and
- a decrease in Toronto Transit Commission (TTC) environmental liabilities ($8M).

Net Long-Term Debt, including TCHC Mortgages (Notes 11 and 12)

Net long-term debt increased by $260.8M to $4.8B (2013 - $4.5B) as follows:

	($ millions) **Increase (Decrease)**
Issuance of Debt - City	600.0
- TCHC	51.6
Debt Repayment - City	(243.2)
- TCHC	(11.4)
Interest earned on sinking funds	(74.6)
Mortgage repayments	(61.6)
Total	**260.8**

Table 2 below lists all consolidated debt issued in 2014.

Table 2

Debt Issued - 2014 ($000's)

Summary by Service	Total	TCHC ≤ 5 years	City 10 years	City & THCH 30 years
Transportation	107,000	-	25,000	82,000
Transit	493,000	-	275,000	218,000
Social Housing	51,647	5,955	-	45,692
Total	**651,647**	**5,955**	**300,000**	**345,692**

Table 3 lists consolidated net long-term debt from all sources for the past five years:

Table 3

Five year comparison of Net Long-Term Debt & Mortgages ($000's)

	2014	2013	2012	2011	2010
Property taxes	3,459,542	3,154,240	3,130,763	2,686,200	2,282,342
TCHC	1,260,439	1,280,510	1,235,113	1,281,873	1,377,951
Lakeshore Arena Corporation	19,932	38,937	39,234	39,547	-
Leaside Arena	991	1,052	-	-	-
TDSB	17,013	22,410	26,371	30,190	33,815
Net long-term debt	**4,757,917**	**4,497,149**	**4,431,481**	**4,037,810**	**3,694,108**

Employee Benefit Liabilities (Note 13)

Employee benefit liabilities represent the amount payable to employees or third parties in future years for services that were rendered by the employees in the current or past years. These amounts represent amounts payable for items such as workers compensation, long term disability, health care benefits for early retirees, and pensions for those retirees covered by the City's legacy pension plans. Actuarial valuations are undertaken every three years to calculate the liabilities, estimating expected future costs and then calculating the present value based on the applicable municipal bond rate (the discount rate) as at December 31, 2014 in accordance with PSAB standards.

The gross employee benefits liability for the City and its consolidated entities (identified as "Total employee accrued benefit obligation" in Note 13 of the Consolidated Financial Statements) increased by $506M to $3.5B (2013 – $3.0B), primarily due to the following:

- decrease in the non-OMERS pension plan liabilities ($8M) as the financial situation of each of the five pension plans improved in 2014; offset by
- increase in sick leave benefits ($63M) primarily due to decrease in discount rate;
- increase in workers' compensation benefits ($116M) primarily due to Ontario Government announcing in May 2014 that current regulations will be expanded to include six additional cancers presumed to be work-related for Toronto Firefighters; and
- increase in post-employment benefits ($335M), primarily due to the decrease in discount rate.

Table 4

Employee Benefit Liabilities by Type for the City and its Consolidated Entities ($000's)

	2014	2013	2012	2011	2010
Sick Leave	552,420	489,170	471,472	479,559	434,545
WSIB	548,985	432,533	428,767	459,565	410,670
Post Retirement and LTD	2,436,744	2,102,038	2,076,852	2,115,655	1,799,982
Pension	-	7,969	26,694	123,980	29,185
Gross Liabilities	**3,538,149**	**3,031,710**	**3,003,785**	**3,178,759**	**2,674,382**
Unamortized Gain/(Loss)	(127,902)	134,772	32,208	(402,592)	(85,425)
Net Liabilities	**3,410,247**	**3,166,482**	**3,035,993**	**2,776,167**	**2,588,957**

While the gross employee benefit liabilities increased significantly 16% ($506M), the unamortized actuarial loss changed by $262M in 2014 (from gain of $134M in 2013 to loss of $128M in 2014), resulting in an overall increase in net employee benefit liabilities of $244M (from $3.17B in 2013 to $3.41B in 2014).

The $262M increase in unamortized loss is primarily related to:

- a decrease in the discount rate of approximately 0.8% to 1.0% for the various benefits; partially offset by
- unamortized gains from differences in actual and expected 2014 benefit payments.

As actuarial gains and losses are amortized over the estimated average remaining service life of the employee group, these actuarial gains and losses will be recognized over the next 13.2 to 15.1 years.

Table 5 below, shows employee benefits liabilities by entity.

Table 5

Employee Benefit Liabilities by Entity ($000's)

	2014	2013	2012	2011	2010
City	2,033,942	1,703,964	1,720,870	1,809,615	1,585,821
City Legacy Pensions	-	7,969	26,694	123,980	29,185
Police	695,038	599,325	568,949	581,651	514,160
Other Entities	809,169	720,452	687,272	663,513	545,216
Gross Liabilities	**3,538,149**	**3,031,710**	**3,003,785**	**3,178,759**	**2,674,382**
Unamortized Gain/(Loss)	(127,902)	134,772	32,208	(402,592)	(85,425)
Net Liabilities	**3,410,247**	**3,166,482**	**3,035,993**	**2,776,167**	**2,588,957**

Due to various measures undertaken by the City to contain the growth in employee benefit liabilities (such as reduced drug costs, reduced administrative fees with Benefit Carrier, negotiated benefit plan design changes for Unionized and Management employees, and change in the post-65 retiree benefit plan for Fire fighters) the City's gross liability had been decreasing since 2011. However with the decrease in discount rates in 2013 and 2014 the gross liability has been increasing with substantial increase in 2014 primarily due to the expansion of Ontario Government regulations to include additional cancers presumed to be work related.

The improvement in the legacy pension plans is a result of the improved economy and better investment returns than projected.

Tangible Capital Assets (Note 14)

Note 1 to the consolidated financial statements outlines the significant accounting policies including an overview of the policy for recording tangible capital assets. In short, tangible capital assets are recorded at cost and amortized over their useful lives.

The breakdown of tangible capital assets, as well as accumulated amortization, as at December 31, 2014 with 2013 comparatives, is presented in Note 14 and Schedule 1. Tangible capital assets by entity are presented in Appendix 4.

During the year, consolidated asset additions totalled $2.5B, with the most significant portion being:

- Building and Building Improvements of $613M (consisting of $186M at the TCHC, $124M at the TTC, $14M at the Library, and $228M at the City);
- Transit Infrastructure of $331M; and,
- Vehicles additions of $197M, primarily: $160M for TTC, $31M for City and $6M for Toronto Police Services.
- Machinery and Equipment purchases of $220M, primarily:
  - Infrastructure equipment of $50M for Water and Wastewater treatment plant equipment, pumping stations and Road Traffic Signals; and
  - General equipment of $170M, primarily: Green Lane Landfill gas and leachate collection systems, computer hardware, water meters, security systems, police and transit equipment.
- Linear assets of $350M: $197M for Water & Wastewater and $153M for Roads.

During the year, amortization of tangible capital assets increased by $24M to $871M (2013 - $847M), mainly as a result of an increase in TTC amortization of $16M and TCHC amortization of $11M offset by decrease in amortization of $3M in Police Services.

Consolidated Annual Accounting Surplus

Table 6

Consolidated Accounting Surplus

(in thousands of dollars)

	2014 Budget	2014 Actual	Difference: Positive / (Negative) Variance	Change	2013 Actual
Revenues					
Property Taxation	3,726,450	3,768,009	41,559	1.1%	3,696,738
Municipal Land Transfer Tax	356,298	449,604	93,306	26.2%	360,884
Taxation from other governments	94,701	111,598	16,897	17.8%	111,292
User Charges	2,796,993	2,753,273	(43,720)	(1.6%)	2,638,543
Funding transfers from other governments	3,121,836	2,752,112	(369,724)	(11.8%)	2,952,158
Government Business Enterprise Earnings	-	73,281	73,281	-	175,544
Investment Income	185,034	270,603	85,569	46.2%	232,244
Development Charges	223,686	132,523	(91,163)	(40.8%)	164,004
Rent and Concessions	424,961	426,929	1,968	0.5%	438,698
Other	640,735	511,685	(129,050)	(20.1%)	462,454
Total	**11,570,694**	**11,249,617**	**(321,077)**	**(2.8%)**	**11,232,559**
Expenses					
General Government	858,210	798,088	60,122	7.0%	770,411
Protection to persons and property	1,727,462	1,820,074	(92,612)	(5.4%)	1,656,046
Transportation	2,855,722	2,819,666	36,056	1.3%	2,769,289
Environmental services	1,086,574	919,204	167,370	15.4%	838,344
Health services	427,172	429,491	(2,319)	(0.5%)	422,038
Social and family services	2,069,879	1,915,780	154,099	7.4%	1,963,092
Social Housing	725,321	727,715	(2,394)	(0.3%)	758,024
Recreational and cultural services	1,039,648	911,428	128,220	12.3%	905,987
Planning and development	154,744	120,188	34,556	22.3%	127,660
Total	**10,944,732**	**10,461,634**	**483,098**	**4.4%**	**10,210,891**
CONSOLIDATED ANNUAL ACCOUNTING SURPLUS	**625,962**	**787,983**	**162,021**	**(25.9%)**	**1,021,668**

Table 6 provides a comparison of 2014 Consolidated Revenues and Expenses versus budget, and also shows 2013 actuals. The table also provides a comparison of expense by type or category of service.

The budget column included in the Consolidated Financial Statements reflects the approved budget at the time the tax levy is approved by Council. Although City Council approves revisions to the budget throughout the year, these amendments are not reflected in the budget column shown in the Consolidated Financial Statements (see Note 18 in the Consolidated Financial Statements). The budget is however, adjusted to exclude purchases of tangible capital assets from expenses, to also exclude debt principal from revenues and expenses, and to allow for amortization of tangible capital assets.

Consolidated Revenues

While the annual budget process focuses primarily on property tax increases, it must be emphasized that property taxes are only one of the City's many revenue sources. In 2014 property taxes made up 33.5% (2013 – 32.9%) of the City's operating revenue.

Municipal Land Transfer Tax (MLTT) exceeded budget by $93M primarily due to stronger than expected average home prices and sales volumes.

Taxation from other governments (Payment in Lieu (PIL) of Taxes) revenue exceeded budget by $17M primarily due to settlements reached during 2014 with property owners, which increased the payments received and revenues above expectations.

User Charges were under budget by $44M due primarily to delayed capital expenditures resulting in increased amounts in deferred revenues at year end.

Funding Transfers from other governments were under budget by $370M primarily due to:

- Lower than budget spending on the Toronto-York Spadina Subway Extension by $216M;
- Lower than budget spending on Union Station by $55M;
- Ontario Works operating subsidies lower by $99M, due primarily to lower subsidies for the Ontario Works Financial Assistance Program.

Government Business Enterprise Earnings ($73M) represent the earnings from Toronto Hydro Corporation, Toronto Parking Authority and Toronto Port Lands Company. Details are available in Note 5 and Appendix 1 of the Consolidated Financial Statements.

Investment earnings were higher than budget by $86M due to more robust cash flow in 2014, increases in reserves and reserve funds, and higher cash balances due to the overall annual surplus achieved in 2014. This resulted in increased investment balances and additional income.

Development Charges applied to capital spending were under budget by $91M, due to under-spending on capital projects. As an obligatory reserve, development charge revenues are not recognized until the funds are spent for the intended purposes.

Other Revenues were lower than budget by $129M primarily due to:

- Lower than budgeted recoveries in Toronto-York Spadina Subway Extension of $77M due to scheduling and budget challenges which resulted in delays in keeping the project on schedule;
- Lower than budgeted recoveries in Transit Priority Projects and Infrastructure projects of $24M due to unanticipated delays;
- Lower than budgeted recoveries in Parks and Recreation of $9M; and
- Lower than budgeted recoveries of $11M for donations, recoveries from third parties and other recoveries.

Five Year Summary of Consolidated Revenues

The five year summary of revenues outlined in Table 7, below, demonstrates that property taxes continue to be one the slowest growing revenue sources for the City. The City is limited by provincial legislation and Council policy from extending full tax rate increases on the commercial, industrial and multi-residential assessment base (representing 51.5% of the City's tax revenue base) on the same basis as the residential base.

As a result of the slow growth of property tax revenue, more reliance has been placed on user fees, the Municipal Land Transfer Tax, senior government transfers and other sources of revenue to meet expenses and minimize property tax rate increases.

Table 7

Consolidated Revenues – 5 year Summary

(in thousands of dollars)

Revenues	Avg. Annual Increase	2014	2013	2012	2011	2010
Property taxes	2.41%	3,879,607	3,808,030	3,807,904	3,555,309	3,527,901
Municipal land transfer tax (MLTT)	12.66%	449,604	360,884	349,798	324,065	278,980
Personal vehicle Tax (PVT)	N/A	-	-	-	723	42,766
User charges	3.97%	2,753,273	2,638,543	2,482,754	2,436,025	2,355,963
Government transfers	(3.49%)	2,752,112	2,952,158	3,054,218	3,148,351	3,173,242
Gain on Sale of Enwave	N/A	-	-	96,611	-	-
GBE Earnings	(16.75%)	73,281	175,544	180,097	188,041	153,294
Investment Income	0.40%	270,603	232,244	246,760	248,397	265,990
Development Charges	9.58%	132,523	164,004	141,133	94,952	92,162
Rent and Concessions	3.40%	426,929	438,698	395,470	386,073	372,959
Other	(1.42%)	511,685	462,454	720,915	604,560	540,861
Total	**1.02%**	**11,249,617**	**11,232,559**	**11,475,660**	**10,986,496**	**10,804,118**
Percentage Increase		0.15%	(2.12%)	4.45%	1.69%	

Consolidated Expenses

Gross consolidated expenses for 2014 totalled $10.5B (2013 – $10.2B).

Expense variance explanations by major program areas, are as follows:

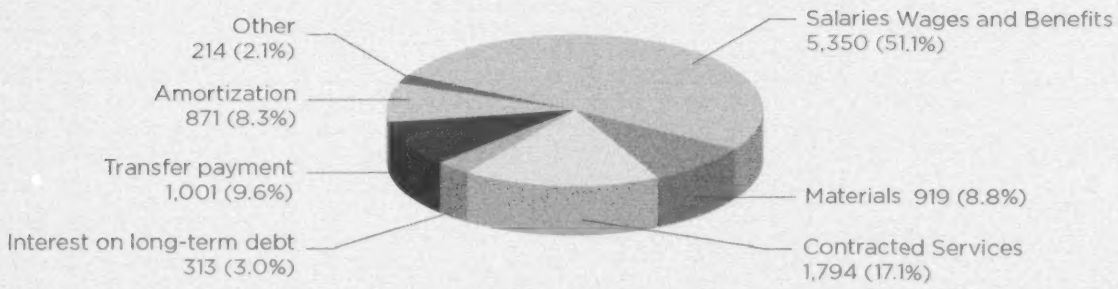
- Costs for General Government were lower than budget by $60M, primarily due to lower spending in Facilities due to various State of Good Repair (SOGR) maintenance projects.
- Costs for Protection to persons and property were $93M higher than budget primarily due to:
  - An increase of $34M for Police Services, as a result of increased employee benefit liabilities of $37M less lower spending of $3M and a net increase of $69M for Fire Services, as a result of $83M in increased workers compensation primarily due to Ontario Government including six additional cancers as presumed to be work-related, net of $14M in cost reductions; offset by
  - Lower spending in Court Services ($7M) and Municipal Licensing and Standards (MLS) ($4M) primarily due to salary and benefits savings.
- Costs for Transportation were $36M lower than budget primarily due to:
  - Lower spending in TTC of $57M primarily due to the reduction in healthcare benefits being utilized, reduced maintenance costs for Subway infrastructure, facilities and streetcars, lower fuel costs and lower accident claims; offset by
  - Higher than budgeted net spending of $12.3M in Transportation Services due to higher than expected costs for winter maintenance, higher salt usage, utility costs, traffic signal maintenance, offset by underspending in salaries and benefits, lower contractor costs for roads and bridge repairs etc; and
  - Higher PSAB adjustments for increased employee benefits ($4.5M)
- Environmental services spending was lower than budget by $167M due primarily to:
  - Lower spending at Toronto Water of $102M related to $90M from various State of Good Repair maintenance projects, and $12M primarily due to savings in salaries and benefits;
  - Lower spending at Solid Waste of $47M, with $39M attributable to various maintenance projects and $8M due to lower than planned expenditures for salaries and benefits and savings from capital financing due to delayed issuance of debt and scheduling of debt charges; and
  - Lower spending at Sanitary Sewer of $7M and Green Lane of $13M.
- Social and Family Services spending was lower than budget by $154M, primarily due to:
  - Ontario Works (OW) financial benefits were under spent by $115M due to a lower than budgeted OW caseload;
  - Children's Services was under budget by $26M primarily due to under-spending in purchased child care, delayed capital spending related to minor construction projects, and staff turnover; and
  - Long-Term Care Homes and Services (LTCHS) were under budget by $5M primarily due to strict expenditure controls.
- Recreational and cultural services was lower than budget by $128M due primarily to:
  - Lower spending of $11M due to delays to planned hiring, as well as delays in the opening of new recreation facilities;
  - Lower spending of $80M on repairs and maintenance for Recreation and State of Good repair projects; and
  - Lower spending of $36M due to projects not started or unfinished: North-West Planting and Nursery ($18M), Booth Avenue Park ($7M), Forestry Special Projects ($9M) and Heritage Services ($2M)
- Planning and development was lower than budget by $35M due primarily to:
  - Lower spending of $24M on major projects; and
  - Under spending at Toronto Waterfront Revitalization Corporation $13M.

Consolidated Expenses by Object

Chart D breaks down gross expenses by cost object. Salaries, wages and benefits accounted for the largest portion at 51.1% of the total amount. Principal re-payments on debt are not included in accounting analyses, as they are considered financing transactions for accounting purposes and are not considered expenses.

Chart D

Expenses by Object
(in millions of dollars)



Note 20 to the Consolidated Financial Statements provides a consolidated (operating and capital) summary of expenses by object.

Risks and Mitigation

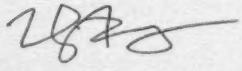
The City continues to face a number of risks that could have a negative impact on the City's financial future. These risks include:

- growing demand for services;
- lack of long-term dedicated funding to assist the City in addressing its infrastructure deficit, including building and expanding the transit system to meet the City's growth;
- accessing non-property tax revenue sources that grow with the economy to ensure long term sustainable funding; and
- improper funding of Provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressure to the City.

In 2014, the City continued to make progress to address these risks by continuing to implement its Long Term Financial Plan. Appendix A lists eight (8) specific financial issues/risks and the actions taken in 2014 to help address them.

Highlights include:

- The City continued to adopt strict budget guidelines for City divisions, agencies and corporations: resulting in a 1.1% increase in net expenditures for 2014 Approved Operating Budget. The City, in approving the 2014 Operating Budget, reduced the use of one-time funding sources by more than 45% cutting it from $47M in 2013 to $26M in 2014;
- The 2014 Operating Budget included efficiency savings of $21M realized from Shelter, Support & Housing Administration, Court Services, Fire Services, Facilities Management & Real Estate, Transportation Services, Information & Technology, City Clerk's Office and Toronto Public Library;
- During 2014, the Deputy City Manager & Chief Financial Officer reported back to City Council on opportunities to accelerate the implementation of shared services. Completed opportunities included: enhanced use of City's Internal Audit Division by agencies not having their own internal audit resources; expansion of City's lessor service to Toronto Transit Commission and Toronto Parking Authority; Establishment of Centre of Excellence for Fleet Services, Internal Audit, Real Estate and Procurement;
- The Province, Metrolinx and the City continued to jointly plan for new transit lines with Provincial contributions of $8.4B towards the plan. Metrolinx is responsible for delivering the Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/ Metrolinx have agreed to contribute to City's Scarborough RT replacement (subway) project;
- In its 10 year Capital Plan, the City continued to implement a non-debt capital funding plan to fund an additional $2.1B in TTC/Transportation capital project priorities from operating budget surpluses, increases in Development Charge revenues, sales of assets and dividends from City's agencies and corporations. Commissioned a Special Task Force with TTC Chair, CEO and CFAO and the City Manager and CFO to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province; and
- For 2014, the City continued to reduce tax rate ratios for business/non-residential properties. Council is on track to meet its objectives of reducing the tax ratio for commercial, industrial and multi-residential properties to 2.5 times the residential tax rate by 2020.



Mike St. Amant
Acting Treasurer

Toronto, Canada
July 10, 2015

Appendix A: Key Issues/Risks Facing the City of Toronto

Issues / Risks	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
The City continues to be challenged by growing demand for services and lack of a fully diversified, predictable and sustainable set of revenue sources. Additionally, the City has a higher cost structure than other municipalities in the Greater Toronto Area (GTA).	• City Council continued to adopt strict budget guidelines for City divisions, agencies and corporations: achieved a 1.1% increase in net expenditures for 2014 Approved Operating Budget. • The City, in approving the 2014 Operating Budget, reduced the use of one-time funding sources by more than 45% cutting it from $47 million in 2013 to $26 million in 2014. • Continued to develop the new service-based, multi-year Financial Planning, Analysis and Reporting System, approved by Council in 2007 with Phase 1 implementation starting in 2013 for use by City Divisions and Agencies to submit their budget requests. During 2014, the service planning functionality in the Public Budget Formulation (PBF) was completed as well the refinement of budget reports for use in the 2015 Budget process. • Continued to benchmark operations with other Ontario municipalities. • The 2014 Operating Budget included efficiency savings of $21 million realized from Shelter, Support & Housing Administration, Court Services, Fire Services, Facilities Management & Real Estate, Transportation Services, Information & Technology, City Clerk's Office and Toronto Public Library. • During 2014, the Deputy City Manager & Chief Financial Officer reported back to City Council on opportunities to accelerate the implementation of shared services. Completed opportunities included: enhanced use of the City's Internal Audit Division by agencies not having their own internal audit resources; Expansion of the City's lessor service to Toronto Transit Commission and Toronto Parking Authority; Establishment of a Fleet Services Centre of Excellence; Establishment of an Internal Audit Centre of Excellence; Establishment of a Real Estate Centre of Excellence. • Other continuous improvement, program reviews and cost containment initiatives also continued, to ensure appropriate and efficient use of resources.	• Continue strict budget targets for 2015 and future years. • Maintain continuous improvement initiatives including enhanced performance measures and benchmarking. • Continue to develop and implement the new Financial Planning, Analysis and Reporting System to improve budget analysis and program rationalization. • Internal Audit and Auditor General continue to conduct audit reviews with a view to maintain and improve internal controls and identify opportunities for further efficiencies. • Continue to benchmark operations with other Ontario municipalities. • Continue to investigate and evaluate possible merger of the City's five Pre-OMERS pension plans with OMERS - dependent on the Province filing required regulations. • Implement a corporate Common Management Framework by 2018 to systematically measure and continuously improve, among other things, planning and financial management. • Develop and implement a best-in-class performance measurement and indicators system by end of 2015. • Continue to implement shared services between the City and its agencies for common corporate functions to improve service delivery and customer service, and / or achieve cost savings by the end of 2018.

Issues / Risks	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
Demands for growth as laid out in the City's Official Plan or other Sectoral and Program plans are not adequately funded	• Province, Metrolinx and the City continued to jointly plan for new transit lines with the Province contributing $8.4 billion towards the plan. Metrolinx is responsible for delivering the Eglinton Scarborough Crosstown, Finch West and Sheppard Ave East Light Rail Transit (LRT) projects, and the Province/Metrolinx have agreed to contribute to the City's Scarborough RT replacement (subway) project. • As part of recent changes in the Development Charges By-law, 2014 represents the first year of a two-year (2014 -2016) phase-in of the Council-adopted development charge rate increases. As a result of updated rates and development forecasts, development charge funding provided for in the 2014 - 2023 Capital Plan reduced debt requirements over the 10 year planning period by $1.047 billion of which $395 million is resulting from the new Development Charge By-law.	• Continue to refine cost estimates related to growth plans. • Continue to work with the Province and Metrolinx to plan new transit lines. • Amend the 2013 Development Charges By-law to include growth-related share of the Scarborough Subway Extension project costs. • Seek legislative changes to the Provincial Development Charges Act review that would enhance development charges recovery of growth-related costs. • Prepared an Area-specific Development Charges By-law to help fund the growth-related flood protection costs for the Port Lands. • Continue to direct funding to the infrastructure backlog. • Develop a funding strategy to support the waterfront revitalization and any sectoral plans adopted by City Council. • Continue special 30-year property tax levy for the Scarborough Subway Extension Project with a three-year phase-in period that started in 2014. • Develop and implement an integrated city-wide approach to finance the city's growth ensuring alignment with City's Official Plan and Long Term Fiscal Plan.
There is a variability in certain program expenditures from year to year, some of which are vulnerable to economic down turns and interest rate fluctuations	• Continued to work with the Province on a Toronto-Ontario partnership agreement on permanent, sustainable transit operating funding. • Continued to monitor and take action on other risks impacting the City with potential financial impacts: - Climate change adaptation and environmental risks management. - Interest rate changes on Social Housing costs, investment returns and debt charges. - Affordable housing alternatives and the end of federal subsidies. • Continued to work with OMERS on urging the Province to file the required regulations under the Pension Benefits Act governing pension plan mergers.	• Continue to work with the Province to operationalize the upload and refine the relationship regarding social and related services: Ontario Works (OW) benefit costs began in 2010 & will be completed by 2018; OW Cost of Administration started in 2010. • Through the Social Service upload, the Province has re-established the principle that income support programs should not be funded from the property tax base. As such, the City will continue its discussion with the Province regarding its funding responsibilities for Social Housing. • Continue to work with the Province on the agreed upload of court security costs by 2018.

Issues / Risks	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
		• Continue to negotiate with the Province on permanent, sustainable transit operating funding (50% of transit operating costs) and the need for additional capital funds. • Implement the new Community Homelessness Prevention Initiative (CHPI). • Closely monitor key economic indicators and market conditions to identify trends and forecast impacts on expenditures and revenues, and continue to develop funding strategies to mitigate financial risks. • Continue to request the Province to file the required regulations under the Pension Benefits Act for plan mergers.
Business property taxes are not competitive with the surrounding urban area (905 area code)	• The City has continued the implementation of "Enhancing Toronto's Business Climate" initiative, adopted by City Council in October 2005 – a plan to reduce the ratio for property tax rates for businesses (i.e. commercial and industrial and multi-residential properties) to 2.5 times the residential tax rate by 2020 (a 15 year plan); and further, to provide for an accelerated reduction in tax rates for smaller businesses, with a target of 2.5 times the residential rate by 2015 (a 10 year plan). The estimated benefit to businesses over the 15-year period is approximately $250 million. • Council approved a modest property tax increase for residents and businesses for 2014.	• Council approved a modest property tax increase for residents and businesses in March 2015. • Continue the implementation of the "Enhancing Toronto's Business Climate" initiative. Council is on track to meet its targets of 2015 and 2020.
The City lacks adequate revenue sources to fund its municipal responsibilities	• Funding for capital projects from other orders of government has been secured over the years – e.g. Share of federal and provincial gas taxes ($300 million per year); Transit Plan ($9 billion); Economic Stimulus Project funding ($460 million 2009 to 2011); funding for the construction of sports facilities for the 2015 Panam/Parapan Am Games ($1 billion). • Municipal Land Transfer Tax (MLTT) continued to attract a record level of revenue in 2014 ($450 million). • Commissioned a Special Task Force comprised of the TTC Chair, the TTC Chief Executive Officer, the TTC Chief Financial and Administration Officer, the City Manager and the City's Chief Financial Officer, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province.	• Update the Long Term Fiscal Plan by Fall 2015 with an emphasis on identifying viable solutions to the major issues impacting the City's finances. • Continue to work with the Provincial and Federal governments to secure long term permanent funding solutions for such items as social housing and transit. • Continue to budget cautiously for MLTT to avoid negative budget impacts and contribute to any surplus to fund the capital shortfall. • Revisit revenue tools allowed in the *City of Toronto Act* and discuss other revenue tools with the Province.

Issues / Risks	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
Improper funding of Provincial cost-shared programs and reduced funding for Social Housing has resulted in significant financial pressures to the City	• Province continued honouring its cost sharing formulae for Ontario Works. • City of Toronto and Toronto Community Housing launched "Close the Housing Gap Campaign", a two-year campaign to urge Federal and Provincial governments to help maintain traditional social housing funding and contribute an equal 1/3 share for Toronto Community Housing's anticipated $2.6 Billion in capital repair needs over ten years. In addition, through the campaign, the City is urging equity on rent subsidies, as private landlords currently receive higher rent subsidies than Toronto Community Housing. • Social services programs engaging provincial counterparts regarding existing funding formulas to urge removal of funding caps and to provide funding for inflation and other program cost increases.	• Province to continue honouring its cost sharing formulae for Ontario Works and Court Security. • Continue to highlight costs and funding requirements in areas of joint City/Provincial responsibility, such as social housing, long-term care, shelters and child care. • Continue to implement additional mortgage refinancing of Toronto Community Housing mortgages to free up equity for State-of-Good-Repair capital. • Advocate for a fairer and larger allocation of the Federal/Provincial Investment in Affordable Housing funding. • Seek Council approval of a "Made-in-Toronto" child care funding model that will direct Provincial and City of Toronto funding in a more effective and targeted manner.
City's investment in ageing infrastructure has been lagging	• The City continued to plan for capital on a 10 year basis. • Continued to implement a non-debt capital funding plan to fund an additional $2.1 billion in TTC/Transportation capital project priorities from operating budget surpluses, increases in Development Charge revenues, sale of assets and dividends from City agencies and corporations. • Continued to set aside funds in the Capital Financing Reserve and other Capital Replacement Reserve Funds. • Continued to grow Capital-from-Current funding by 10% annually. • Commissioned a Special Task Force comprised of the TTC Chair, the TTC CEO, the TTC CFAO, the City Manager and the City CFO, to seek and secure funding for "unfunded TTC Capital Projects" and a restoration of operating funding from the Province.	• Continue to develop firm 10-year Capital Plans with an emphasis on the state of good repair activities. • Complete transition to a multi-year, service-based operating budget and plan. • Continue to increase direct operating budget contribution to capital program to offset a portion of debt requirements. • Continue in the implementation of the non-debt capital funding strategy to fund additional TTC and Transportation Capital shortfalls identified in the ten year (2014 to 2023) Capital Plan. • Continue to grow Capital-from-Current funding by 10% annually. • Further enhance asset management planning. • Continue to seek funding for transit projects from provincial and federal governments. • Continue advocacy campaigns to restore provincial and federal funding for social housing and the development of a National Housing Strategy. • Revisit revenue tools allowed in the City of Toronto Act and discuss other revenue tools with the Province.

Issues / Risks	Actions Taken with Impacts in 2014	Actions planned for 2015 and beyond
Employee benefits and other long-term liabilities are not adequately funded	• The City updated the actuarial reviews of its employee benefit plans. • The City has continued its objective of implementing cost containment changes to benefit plans, including the retiree plans that have helped reduce the post-retirement liabilities. • In 2012, a new 5 year contract with the City's Benefit Carrier resulted in significantly reduced administrative fees for health and dental benefits. • In 2012 and 2013 changes to the retiree benefit plans, including limits to para-medicals, dispensing fee cap, one year lag for dental fee guide, limitation for physiotherapy, limitation for orthotic shoes. • In 2013, the post-65 lifetime retiree benefit plan for former Toronto and North York firefighters was eliminated and replaced with a 10 year Health Care Spending Account. • The sick bank payout for new firefighters hired after June 26, 2013 was reduced from 100% of the available sick credits to 50%, to a maximum of 6 months' salary. • Funding contributions were made to employee benefits reserve funds from the 2011-2014 operating budget surpluses.	• Implementation of approved strategies to reduce the funding gap between employee benefits reserve and the liabilities: - First stage: to require City's agencies and corporations to contribute annual funding to the Sick Leave Reserve Fund to match budgeted withdrawals (pay-as-you-go); and, - Second stage: to revise the annual benefit charges to Divisions and applicable City's agencies and corporations to reflect additional funding requirements for retired employees, employees on long-term disability, workplace safety (pre-amalgamation) and sick leave gratuity payouts. This is scheduled for implementation in advance of the 2017 budget. • Continue to negotiate labour agreements that contain overall employee benefits costs in the short- and long-term.

2014 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

Management's Report

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. The Auditor General participates in all significant meetings held between the external auditors and management, is informed of all significant audit issues, and will report on any significant matters not appropriately addressed and resolved.

The 2014 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 10, 2015

Mike St. Amant
Acting Treasurer

Roberto Rossini
Deputy City Manager & Chief Financial Officer

John Livey
Acting City Manager

Independent Auditor's Report

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net debt, and consolidated statement of cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
July 10, 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014

(with comparative figures as at December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014	2013 (see Note 23)
FINANCIAL ASSETS		
Cash	470,865	591,190
Accounts receivable (Note 2)	1,053,598	959,896
Property taxes receivable	252,367	239,516
Other assets (Note 3)	262,110	243,504
Investments (Note 4)	4,572,035	4,661,928
Due from Toronto District School Board (Note 12)	17,013	22,410
Investments in government business enterprises (Note 5)	1,804,357	1,836,423
Total financial assets	**8,432,345**	**8,554,867**
LIABILITIES		
Bank indebtedness (Note 6)	76,508	55,882
Accounts payable and accrued liabilities (Note 7)	2,787,113	2,934,835
Deferred revenue (Note 8)	2,007,416	1,692,089
Other liabilities (Note 9)	649,564	647,071
Landfill closure and post-closure liabilities (Note 10)	139,316	123,773
Mortgages payable (Note 11)	579,405	640,984
Net long-term debt (Note 12)	4,178,512	3,856,165
Employee benefit liabilities (Note 13)	3,410,247	3,166,482
Total liabilities	**13,828,081**	**13,117,281**
NET DEBT	**(5,395,736)**	**(4,562,414)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 14, Schedule 1)	24,969,941	23,386,281
Inventories and prepaid expenses (Note 15)	373,449	335,804
	25,343,390	**23,722,085**
Commitments and contingencies (Note 16)		
ACCUMULATED SURPLUS (Note 17)	**19,947,654**	**19,159,671**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014 BUDGET (Note 18)	2014 ACTUAL	2013 ACTUAL (see Note 23)
REVENUE			
Property taxation	3,726,450	3,768,009	3,696,738
Municipal land transfer tax	356,298	449,604	360,884
Taxation from other governments	94,701	111,598	111,292
User charges	2,796,993	2,753,273	2,638,543
Funding transfers from other governments (Note 19)	3,121,836	2,752,112	2,952,158
Government business enterprise earnings (Note 5)	-	73,281	175,544
Investment income	185,034	270,603	232,244
Development charges	223,686	132,523	164,004
Rent and concessions	424,961	426,929	438,698
Other	640,735	511,685	462,454
Total revenue	**11,570,694**	**11,249,617**	**11,232,559**
EXPENSES			
General government	858,210	798,088	770,411
Protection to persons and property	1,727,462	1,820,074	1,656,046
Transportation	2,855,722	2,819,666	2,769,289
Environmental services	1,086,574	919,204	838,344
Health services	427,172	429,491	422,038
Social and family services	2,069,879	1,915,780	1,963,092
Social housing	725,321	727,715	758,024
Recreation and cultural services	1,039,648	911,428	905,987
Planning and development	154,744	120,188	127,660
Total expenses (Note 20)	**10,944,732**	**10,461,634**	**10,210,891**
ANNUAL SURPLUS	**625,962**	**787,983**	**1,021,668**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**19,159,671**	**19,159,671**	**18,165,066**
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 5)	-	-	(27,063)
ACCUMULATED SURPLUS - END OF YEAR (Note 17)	**19,785,633**	**19,947,654**	**19,159,671**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014 BUDGET (Note 18)	2014 ACTUAL	2013 ACTUAL (see Note 23)
Annual Surplus	**625,962**	**787,983**	**1,021,668**
Acquisition of tangible capital assets	(2,791,962)	(2,486,355)	(2,204,589)
Amortization of tangible capital assets	869,207	871,099	847,090
(Gain) Loss on disposal of tangible capital assets	-	(4,950)	33,559
Reclassification of tangible capital assets as inventories	-	36,546	30,824
Proceeds on disposal of tangible capital assets	-		17,128
Change due to tangible capital assets	**(1,922,755)**	**(1,583,660)**	**(1,275,988)**
Change in inventories and prepaid expenses	**-**	**(37,645)**	**(35,996)**
GBE - IFRS adjustment - Toronto Hydro Corp. (Note 5)	-	-	**(27,063)**
(Increase) in net debt	(1,296,793)	(833,322)	(317,379)
NET DEBT - BEGINNING OF YEAR	(4,562,414)	(4,562,414)	(4,245,035)
NET DEBT - END OF YEAR	**(5,859,207)**	**(5,395,736)**	**(4,562,414)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2014

(with comparative figures for the year ended December 31, 2013)

(all dollar amounts in thousands of dollars)

	2014	2013 (see Note 23)
OPERATING ACTIVITIES		
Annual surplus	787,983	1,021,668
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(73,281)	(175,544)
Amortization of tangible capital assets	871,099	847,090
(Gain) loss on disposal of tangible capital assets	(4,950)	33,559
	1,580,851	1,726,773
Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in accounts receivable	(93,702)	245,527
(Increase) in property taxes receivable	(12,851)	(14,638)
(Decrease) increase in accounts payable and accrued liabilities	(147,722)	244,222
Increase in deferred revenue	315,327	117,888
Increase in other liabilities	2,493	48,343
(Increase) in inventories and prepaid expenses	(37,645)	(35,995)
Increase (decrease) in landfill closure and post-closure liabilities	15,543	(409)
Increase in employee benefit liabilities	243,765	130,489
Cash provided by operating activities	**1,866,059**	**2,462,200**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,486,355)	(2,204,589)
Proceeds on disposal of tangible capital assets	–	17,128
Reclassification of tangible capital assets as inventories	36,546	30,824
Cash applied to capital activities	**(2,449,809)**	**(2,156,637)**
INVESTING ACTIVITIES		
Increase in other assets	(18,606)	(81,406)
Purchase of investments, net	89,893	(247,894)
Proceeds on repayment of debt due from Toronto District School Board	5,397	3,961
Dividends and distributions from government business enterprises	105,347	87,312
Cash provided by (applied to) investing activities	**182,031**	**(238,027)**
FINANCING ACTIVITIES		
Increase in bank indebtedness	20,626	6,048
Principal repayments on mortgages payable	(61,579)	(91,241)
Proceeds from long-term debt issued	651,647	471,210
Principal repayments on long-term debt	(249,278)	(235,710)
Interest earned on sinking funds	(74,625)	(74,631)
Principal repayments on debt by Toronto District School Board	(5,397)	(3,960)
Cash provided by financing activities	**281,394**	**71,716**
Net (decrease) increase in cash during the year	(120,325)	139,252
CASH – BEGINNING OF YEAR	591,190	451,938
CASH – END OF YEAR	**470,865**	**591,190**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	295,096	286,922
Cash received for interest on investments	253,313	215,535

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the *City of Toronto Act, 2006*.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) established by the Public Sector Accounting Board ("PSAB") of The Chartered Professional Accountants Canada ("CPAC").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation, and Toronto Pan Am Sports Centre Inc. which are accounted for by proportionate consolidation.

Consolidated entities:

Agencies and Corporations:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Build Toronto Inc.
- Casa Loma Corporation
- Heritage Toronto
- Invest Toronto Inc.
- Lakeshore Arena Corporation
- St. Lawrence Centre for the Arts
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Pan Am Sports Centre Inc. ("TPASC") (50% proportionately)
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge–Dundas Square

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion Islington Square
- Baby Point Gates
- Bloor Annex
- Bloor By The Park
- Bloor Street
- Bloor West Village
- Bloor Yorkville
- Bloorcourt Village
- Bloordale Village
- Cabbagetown
- Chinatown
- Church Wellesley Village
- College Promenade
- College West
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dufferin Finch
- Dundas West
- Dupont by the Castle
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Korea Town
- Lakeshore Village
- Leslieville
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Ossington Avenue
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside District
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- shoptheQueensway.com
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Eglinton Way
- The Kingsway
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wilson Keele
- Wychwood Heights
- Yonge Lawrence Village
- York Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises (GBEs)

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC")

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 22).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities; property tax assessment appeals; property, liability and accident claims provisions; landfill closure and post-closure liabilities; and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the *City of Toronto Act, 2006*, the *Assessment Act*, the *Education Act*, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented the Municipal Land Transfer Tax, which applies to all land sales. The revenues are transaction-based and are recognized at the time of the transaction, at registration of the sale of land.

User charges
User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers
Government transfer revenues are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers without eligibility criteria or stipulations are recognized as revenue when the transfer is authorized. All other transfers are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met, except when and to the extent that any stipulations give rise to an obligation that meets the definition of a liability for the City.

The City also provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

Development charges
Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the *Development Charges Act, 1997.* Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue
Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses
Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments
Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. All investments consists of authorized investments pursuant to provisions of the *City of Toronto Act, 2006* and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims
Estimated costs to settle property and liability claims are actuarially determined based on available loss information and projections of the present value of estimated future expenditures, developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the Consolidated Statement of Financial Position.

TTC unsettled accident claims
The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions
The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the Consolidated Statement of Financial Position.

Landfill closure and post-closure liabilities
The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the Consolidated Statement of Financial Position.

Deferred revenue
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met and the revenue is earned.

Derivative financial instruments
A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the Consolidated Statement of Operations and Accumulated Surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the Consolidated Statement of Operations and Accumulated Surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs. Costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method, pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 - 70 years
Buildings and building improvements	25 - 100 years
Machinery and equipment	4 - 60 years
Motor Vehicles	5 - 20 years
Water and wastewater linear	60 - 100 years
Roads linear	25 - 70 years
Transit	10 - 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset, or materially extend asset lives, is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the Consolidated Statement of Financial Position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Accounts Receivable

Accounts receivable consist of the following:

	2014	2013
	$	$
Government of Canada	155,458	170,185
Government of Ontario	328,893	190,679
Other municipal governments	23,437	28,055
School Boards	519	394
Utility fees	146,942	155,953
Other fees and charges	398,349	414,630
	1,053,598	**959,896**

3. Other Assets

Other assets consist of the following:

	2014	2013
	$	$
Build Toronto Inc. loan receivable from Pinewood Toronto Studios Inc. (PTSI), due September 2018, bearing interest at 5.61%, to be converted into a 25 year amortizable debenture upon maturity.	33,404	33,404
Real Estate inventory that was valued at a market value of $153,865,064 consists of capitalized actual costs including decommissioning cost, development cost, and pre-acquisition cost.	20,771	1,118
The due date on Build Toronto Inc. loan receivable from Toronto Waterfront Studios Inc. was extended to June 24, 2015 along with an increased interest rate of 1%, for an annual rate of 7%.	2,759	3,776
Build Toronto Inc. Vendor-take-back (VTB) mortgages were settled and the remaining balance is at an interest rate of 6.5% with a maturity date of November 16, 2016.	1,590	23,184
TCHC has entered into loan agreements with Dundas and Parliament Development Corporation (DPDC) and Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development and construction of condominium buildings. Advances earn interest at the bank's prime rate plus 0.50% and payable on demand.	3,148	3,228
Provincial affordability housing grants for the development of three TCHC projects are paid monthly and have been set up as grant receivable. The remaining Grants receivable are the Province of Ontario and from a registered Charity.	17,217	13,491
TCHC's equity in Joint Ventures consists of a co-tenancy agreement with a developer for the construction of certain properties in Regent Park and a loan agreement with PGDC to finance the pre-development costs of condominium buildings. Additionally, TCHC's wholly owned subsidiaries Railway Lands Development Corporation (RLDC) and Allenbury Garden Development Corporation (AGDC) have entered into an equal interest co-tenancy agreements with a developer, for the construction of certain properties.	28,364	15,541
During 2013 and 2014, Infrastructure Ontario (IO) provided loans of $154,703 and $49,710 respectively to TCHC that were used to pay various maturing mortgages, capital expenditures and transfers. As at December 31, the remaining balance with interest earned were held as restricted funds.	69,316	94,530
TCHC allocated $32,610 of the refinancing loan received from City of Toronto and resulting net investment income as restricted funds.	32,937	-
TCHC Mortgages receivable are related to sales-type leases from 2010 to 2057 for commercial space in a TCHC building. Maturity dates on these mortgages of this lease varies from May 11, 2037 to May 11, 2057. The interest rates on these mortgages varies from 4.877% and to the negotiated coupon rate on the Debenture Series A bonds.	11,778	11,966
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2013 - 0% to 5%) per annum, maturing from 2015 to 2044.	37,051	36,628
Other	3,775	6,638
	262,110	**243,504**

4. Investments

Investments consist of the following:

	2014		
	Cost	**Market value**	**Carrying value**
	$	**$**	**$**
Federal government bonds	273,331	291,319	273,331
Provincial government bonds	1,162,551	1,257,016	1,162,551
Municipal government bonds	897,975	958,852	897,975
Money market instruments	1,421,452	1,421,353	1,421,452
Corporate bonds	759,100	773,608	759,100
Other	57,626	64,255	57,626
	4,572,035	**4,766,403**	**4,572,035**

	2013		
	Cost	**Market value**	**Carrying value**
	$	**$**	**$**
Federal government bonds	539,885	560,263	539,885
Provincial government bonds	1,139,335	1,182,923	1,139,335
Municipal government bonds	668,213	693,363	668,213
Money market instruments	1,916,422	1,916,415	1,916,422
Corporate bonds	330,440	335,357	330,440
Other	67,633	71,182	67,633
	4,661,928	**4,759,503**	**4,661,928**

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $70,120 (2013 – $65,264). The weighted average yield on the cost of the bond investment portfolio during the year was 3.54% (2013 – 4.82%). Maturity dates on investments in the portfolio range from 2015 to 2042 (2013 – 2014 to 2042). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 3.40% to 8.65% (2013 – 4.50% to 8.65%) with a carrying value of $231,050 (2013 – $198,757).

Other investments held by the City, its agencies and corporations consist of the following:

	2014		
	Cost	Market value	Carrying value
	$	$	$
City investments	336	336	336
BIA	3,036	3,036	3,036
Build Toronto	27,307	27,307	27,307
Heritage Toronto	100	100	100
TAF	15,852	22,481	15,852
TWRC	10,995	10,995	10,995
	57,626	**64,255**	**57,626**

	2013		
	Cost	Market value	Carrying value
	$	$	$
City investments	306	306	306
BIA	1,110	1,110	1,110
Build Toronto	30,453	30,453	30,453
TAF	17,793	21,342	17,793
TWRC	17,971	17,971	17,971
	67,633	**71,182**	**67,633**

5. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), and Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands.

Details of the continuity of the book value of these investments are as follows:

	2014	2013
	$	$
Balance - beginning of year	1,836,423	1,775,254
Income from operations (Appendix 1)	71,761	173,963
Transition adjustment upon adoption of new revised International Accounting Standard (IAS 19) - Toronto Hydro Corp.	-	(27,063)
Dividends received (Appendix 1)	(60,619)	(42,995)
Distribution to City (Appendix 1)	(44,728)	(44,317)
Change in net book value of street-lighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	1,520	1,581
Balance - end of year (Appendix 1)	**1,804,357**	**1,836,423**

Toronto Hydro Corp. reports under United States GAAP and has provided a reconciliation to International Financial Reporting Standards (IFRS) to the City.

On January 1, 2013, Toronto Hydro Corp. adopted the revised IAS 19 – Employee Benefits which resulted in opening retained earnings adjustment of $27,063 for 2013.

a) Investment in Government Business Enterprises is comprised of equity and long-term subordinated debt as follows:

		2014	2013
		$	$
Toronto Hydro Corporation	Equity	1,194,771	1,241,600
Toronto Parking Authority	Equity	241,445	227,777
Toronto Port Lands Company	Equity	368,141	367,046
		1,804,357	**1,836,423**

b) Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements.

c) Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2014	2013
	$	$
Income from Operations	71,761	173,963
Change in net book value of street-lighting assets – Toronto Hydro	1,520	1,581
Government Business Enterprises Earnings	**73,281**	**175,544**

d) Related party transactions between the City and its government business enterprises are as follows:

	2014	2013
	$	$
Purchased by the City:		
Street-lighting, electricity, and maintenance services from Toronto Hydro Corporation	**238,600**	**246,894**

e) Principal repayment due dates of long-term debt of the GBEs are as follows:

	Due to City	Due to others	Total
	$	$	$
2015	–	436	436
2016	–	460	460
2017	–	250,485	250,485
2018	–	512	512
2019	–	250,539	250,539
Thereafter	–	1,152,798	1,152,798
	–	**1,655,230**	**1,655,230**

The City's GBEs are committed to the following minimum annual operating lease payments:

	$
2015	7,034
2016	6,643
2017	2,618
2018	495
2019	495
Thereafter	1,025
	18,310

6. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2013 – $100,000) bearing interest at the bank's prime rate with an effective rate during 2014 of 3% (2013 – 3%) per annum.

In 2011, Build Toronto Inc. (BTI) established a credit facility for a maximum of $34,500 and is reset monthly to the government agency's borrowing rate, currently at 2.0542% and is secured on Build Toronto Holdings Once Inc.'s (BTHOI) assets and corporate guarantees.

TAF has a revolving line of credit to a maximum of $2,000, repayable on demand, with a Canadian chartered bank at the bank's prime rate plus 0.5% per annum, secured by TAF's fixed income investment portfolio.

Bank indebtedness consists of the following:

	2014	2013
	$	$
City, net outstanding cheques	43,101	22,315
Build Toronto Inc.	33,407	33,407
Toronto Atmospheric Fund	-	160
	76,508	**55,882**

7. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2014	2013
	$	$
Trade payables and accruals	1,922,653	1,895,246
School boards	347,506	416,827
Provision for assessment appeals on property taxes paid	278,386	346,965
Credit balances on property tax accounts	135,337	105,130
Wage accruals	103,231	170,667
	2,787,113	**2,934,835**

8. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, as well as certain City bylaws or agreements, are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Details of these deferred revenues are as follows:

	2014	2013
	$	$
Restricted by Provincial legislation		
Development Charges	529,786	383,801
Recreational Land (Planning Act)	522,703	431,990
Building Code Act Service Improvement	42,303	27,731
Provincial Gas Tax	-	408
	1,094,792	843,930
Restricted by other agreements		
Public Transit Funds	137,096	195,371
Water and Wastewater	302,983	236,791
Community Services	82,783	84,119
Third Party Agreements	9,902	12,914
State of Good Repair	2,253	2,244
Parking Authority	3,327	3,298
	538,344	534,737
Total obligatory reserve funds	**1,633,136**	**1,378,667**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees and contributions from developers according to Section 37 of the Planning Act are included in deferred revenue and reported on the Consolidated Statement of Financial Position. Details of these deferred revenues are as follows:

	2014	2013
	$	$
Community Services	3,043	1,476
Building Code Act	63,455	54,802
Long-Term Care - Public Health and Housing	2,362	6,017
Police	1,574	1,351
Parks	48,929	15,798
Union Station	112,838	88,510
Other	42,673	50,957
City's agencies and corporations	99,406	94,511
Total advance payments and contributions	**374,280**	**313,422**
(c) Total Deferred Revenue (8 (a) and 8 (b))	**2,007,416**	**1,692,089**

9. Other Liabilities

Other liabilities consist of the following:

	2014	2013
	$	$
Property and liability claims provision (Note 16c)	383,572	389,587
TTC - unsettled accident claims (Note 16c)	170,329	156,437
Build Toronto - environmental liabilities (Note 16j)	17,325	17,498
TTC - environmental liabilities (Note 16i)	6,750	14,500
Other	71,588	69,049
	649,564	**647,071**

10. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 3.5% (2013 - 4.5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2014 is $3,393 (2013 - $4,706), based on the percentage of total approved capacity used of 40.81% (2013 - 38.10%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2014 was $15,103 (2013 - $14,594) and the balance in the Green Lane Perpetual Care account as at December 31, 2014 was $3,208 (2013 - $2,780). Total contributions to the Green Lane Perpetual Care account of $402 (2013 - $585) were based on a contribution rate of 88¢ (2013 - 88¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 17).

Inactive Sites

The City has identified 160 (2013 - 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 16k).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 3.5% (2013 - 4.5%). The estimated present value of future expenditures for post-closure care as at December 31, 2014 was $131,217 (2013 - $119,067).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the Solid Waste Management Perpetual Care Reserve Fund as at December 31, 2014 was $24,976 (2013 - $21,234) and is included as part of the State of Good Repair Reserve Fund (Note 17), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2014 was $7,514 (2013 - $7,490) (Note 22).

The total landfill closure and post-closure liabilities are as follows:

	2014	2013
	$	$
Active landfill site (Green Lane)	8,099	4,706
Inactive landfill sites	131,217	119,067
	139,316	**123,773**

Landfill closure and post-closure totalling $5,262 (2013 - $5,632) were expensed during the year.

11. Mortgages Payable

Mortgages payable are as follows:

	2014	2013
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.11% to 12.75% (2013 - 2.11% to 12.75%) per annum, with maturities ranging from 2015 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,574,121 (2013 - $1,562,303).	**579,405**	**640,984**

Principal repayments are due as follows:

	$
2015	69,196
2016	37,067
2017	38,644
2018	39,854
2019	38,972
Thereafter	355,672
	579,405

Principal payments made in 2014 were $61,579 (2013 - $91,241).

12. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation also allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the Consolidated Statement of Financial Position comprises the following:

	2014	2013
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2013 - 3.50% to 8.65%) per annum, maturing from 2015 to 2044.	5,234,971	4,896,579
Debentures issued include issuing costs and interest and are amortized over the terms of the debt. These issues consists of series A bonds of $250,000 at 4.877% (2007 to 2037) and series B bonds of $200,000 at 5.395% (2015 to 2048).	445,181	445,078
The Infrastructure Ontario (IO) Loan received on November 1, 2013 (Note 4) is a secured loan that is funded by various floating rates as well as fixed rates of 4.37% and 4.53% and are also subject to financial covenants.	200,941	154,170
Long-Term Loans include a bridge-loan of $35,440 that was converted to a 12-year interest rate swap facility with a fixed interest rate of 4.55% and with an unrealized loss of approximately $2,732 (2013 - $3,278) matures on February 15, 2018. Additionally, a sale and lease liability started in August 2007 for 96 months has a remaining liability of $1,742 (2013 - $4,611).	34,912	40,278
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.10% (2013 - 6.10%) per annum, maturing from 2015 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2013 - 2.76%) per annum. On June 13, 2013, the Provincial Minister of Finance advised the City that the $170,171 loan payable will be forgiven over the three year time (2014 to 2016). It is anticipated that the Province, in each of the three years will confirm the amount that it has written off in that year. The City will then record its share of loan forgiveness in each of the years. In 2014, accrued interest of $41,680 was written off. The City will write off $77,000 and $93,171 loan payable in 2015 and 2016 respectively.	170,171	170,171
Loan payable, bearing interest at 8.05% (2013 - 8.05%) per annum, maturing in 2018.	668	816
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as three floating rate loans with interest rates from 1.60% to 4.25% which were repaid September 30, 2014.	19,932	38,937
Sinking fund deposits bearing interest at rates between 3.5% and 6% (2013 - 3.5% to 6%) per annum.	(1,945,279)	(1,912,275)
Sinking fund deposits - TDSB, bearing interest at 5% (2013 - 5%) per annum.	(58,831)	(53,435)
	4,178,512	**3,856,165**

Principal repayments are due as follows:

	$
2015	526,296
2016	382,609
2017	334,196
2018	269,819
2019	224,718
Thereafter	2,440,874
	4,178,512

Principal payments made in 2014 were $329,300 (2013 – $314,301).

Included in net long-term debt are outstanding debentures of $5,000,000 (2013 – $4,628,000) for which there are sinking fund assets with a carrying value of $2,228,979 (2013 – $1,965,667) and a market value of $2,129,881 (2013 – $2,054,615).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $160,302 (2013 – $182,181) and a market value of $180,876 (2013 – $198,078).

The City's net long-term debt is to be recovered from the following sources:

	2014	2013
	$	$
Property taxes	3,459,542	3,154,240
TCHC	681,034	639,526
Lakeshore Arena	19,932	38,937
Leaside Arena-Infrastructure Ontario	991	1,052
TDSB	17,013	22,410
	4,178,512	**3,856,165**

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2014	2013
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	552,420	489,170
WSIB obligations (a)(ii)	548,985	432,533
Other employment and post-employment benefits (a)(iii)	2,436,744	2,102,038
Pension liabilities (b)	-	7,969
Total employee accrued benefit obligation	3,538,149	3,031,710
Unamortized actuarial (loss) gain	(127,902)	134,772
Employee benefit liabilities	**3,410,247**	**3,166,482**

The continuity of the City's **employee benefit liabilities**, in aggregate, is as follows:

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	3,166,482	3,158,513	-	7,969
Current service costs	305,453	240,828	64,625	-
Interest cost	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain) loss	(192,939)	11,348	(94,411)	(109,876)
Employer contributions	(113,814)	-	(104,305)	(9,509)
Benefits paid	(131,901)	(206,276)	74,375	-
Plan amendments	84,818	84,818	-	-
Change in valuation allowance	198,763	-	82,636	116,127
Balance - end of year	**3,410,247**	**3,410,247**	**-**	**-**

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	3,035,993	3,009,299	-	26,694
Current service costs	312,010	247,684	64,326	-
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial (gain) loss	(101,142)	8,954	(80,167)	(29,929)
Employer contributions	(115,938)	-	(102,077)	(13,861)
Benefits paid	(200,079)	(200,079)	-	-
Plan amendments	47,500	(13,352)	60,852	-
Change in valuation allowance	92,607	-	65,405	27,202
Balance - end of year	**3,166,482**	**3,158,513**	**-**	**7,969**

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	6,778,114	3,158,513	1,998,497	1,621,104
Current service cost	305,454	240,829	64,625	-
Interest cost	340,771	121,016	130,216	89,539
Amortization of actuarial loss (gain)	137,562	11,348	138,340	(12,126)
Benefits paid	(469,015)	(206,276)	(108,086)	(154,653)
Plan amendments	159,192	84,817	74,375	-
Balance - end of year	**7,252,078**	**3,410,247**	**2,297,967**	**1,543,864**

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	6,540,078	3,009,299	1,916,632	1,614,147
Current service cost	312,010	247,684	64,326	-
Interest cost	307,945	106,007	114,533	87,405
Amortization of actuarial loss (gain)	31,984	8,954	(57,973)	81,003
Benefits paid	(461,403)	(200,079)	(99,873)	(161,451)
Plan amendments	47,500	(13,352)	60,852	-
Balance - end of year	**6,778,114**	**3,158,513**	**1,998,497**	**1,621,104**

The continuity of the **plan asset** is as follows:

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	4,149,631	-	2,452,060	1,697,571
Contributions	113,814	-	104,305	9,509
Actual return on assets	492,989	-	300,989	192,000
Benefits paid	(262,739)	-	(108,086)	(154,653)
Balance - end of year	**4,493,695**	**-**	**2,749,268**	**1,744,427**

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance - beginning of year	3,780,482	-	2,135,795	1,644,687
Contributions	115,938	-	102,077	13,861
Actual return on assets	514,535	-	314,061	200,474
Benefits paid	(261,324)	-	(99,873)	(161,451)
Balance - end of year	**4,149,631**	**-**	**2,452,060**	**1,697,571**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	7,379,980	3,538,149	2,297,967	1,543,864
Plan assets	4,493,695	-	2,749,268	1,744,427
Funding deficit (surplus)	2,886,285	3,538,149	(451,301)	(200,563)
Unamortized actuarial (losses) gains	(43,805)	(127,902)	84,097	-
Valuation allowance	567,767	-	367,204	200,563
Employee benefit liability	**3,410,247**	**3,410,247**	**-**	**-**

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,643,342	3,023,741	1,998,497	1,621,104
Plan assets	4,149,631	-	2,452,060	1,697,571
Funding deficit (surplus)	2,493,711	3,023,741	(453,563)	(76,467)
Unamortized actuarial gains	303,767	134,772	168,995	-
Valuation allowance	369,004	-	284,568	84,436
Employee benefit liability	**3,166,482**	**3,158,513**	**-**	**7,969**

The total expenses related to these employee benefits include the following components:

	2014			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	305,453	240,828	64,625	-
Interest cost	93,385	121,016	(22,920)	(4,711)
Amortization of actuarial (gain) loss	(192,939)	11,348	(94,411)	(109,876)
Plan amendments	159,193	84,818	74,375	-
Change in valuation allowance	198,763	-	82,636	116,127
Total expense	**563,855**	**458,010**	**104,305**	**1,540**

	2013			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	312,010	247,684	64,326	-
Interest cost	95,531	106,007	(8,339)	(2,137)
Amortization of actuarial (gain) loss	(101,142)	8,954	(80,167)	(29,929)
Plan amendments	47,500	(13,352)	60,852	-
Change in valuation allowance	92,607	-	65,405	27,202
Total expense	**446,506**	**349,293**	**102,077**	**(4,864)**

(a) **Sick leave benefits, WSIB obligations, and other employment and post-employment benefits**
Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies and Corporations as at December 31, 2014. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2014	2013
Discount rate for accrued benefit obligation:		
Post-employment	2.8%	3.6%
Post-retirement	3.4%	4.4%
Sick leave	3.2%	4.1%
WSIB	2.8%	3.6%
Rate of compensation increase	1.18% to 4.5%	2.0% to 4.5%
Health care inflation - LTD, hospital and other medical	6.0% to 10.0%	6.4% to 10.0%
Health care inflation - Dental care	3.0% to 10.0%	3.2% to 10.0%
Health care inflation - Drugs	6.4% to 14.4%	6.4% to 14.4%

	2014	2013
Discount rate for benefit costs:		
Post-employment	3.6%	3.1%
Post-retirement	4.4%	3.8%
Sick leave	4.1%	3.5%
WSIB	3.6%	3.1%
Rate of compensation increase	2.0% to 4.5%	2.0% to 3.25%
Health care inflation - LTD, hospital and other medical	6.4% to 10.0%	6.8% to 10.0%
Health care inflation - Dental care	3.2% to 10.0%	3.4% to 10.0%
Health care inflation - Drugs	6.4% to 14.4%	6.8% to 14.4%

For 2014 benefit costs and year end 2014 benefit obligation, the health care inflation rate for Long Term Disability (LTD), hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

(i) Vested Sick Leave Benefit Liability
Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A Sick Leave Reserve Fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2014, the balance in the Sick Leave Reserve Fund is $42,833 (2013 - $43,096) and is included in the Employee Benefits Reserve Fund grouping (Note 17). Payments during the year amounted to $49,319 (2013 - $40,567).

(ii) WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2014, the balance in the Workers' Compensation Reserve Fund is $11,632 (2013 - $7,477) and is included as part of the Employee Benefits Reserve Fund (Note 17). Payments during the year by the City to the WSIB amounted to $33,305 (2013 - $33,849).

(iii) *Other Employment and Post-Employment Benefits*

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An Employee Benefits Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2014, the balance in the Employee Benefits Reserve Fund was $179,789 (2013 - $161,532) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to $54,185 (2013 - $58,513).

(b) Pension benefits

(i) OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $5,307 (2013 - $8,300) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current

service amounted to $188,269 (2013 – $185,389) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2014 was $739 (2013 – $684). Employer's contributions for current and past service are included as an expenditure on the Consolidated Statement of Operations and Accumulated Surplus.

(ii) TTC Pension Plan

The TTC participates in a joint defined benefit/defined contribution pension plan that covers substantially all of its employees. This pension plan is registered as a Jointly Sponsored Pension Plan (JSPP) effective January 1, 2011. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada).

The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2014. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the Consolidated Statement of Financial Position. As a result, the accrued benefit asset as at December 31, 2014 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2014	2013
Discount rate	6.25%	5.75%
Expected rate of return on plan assets	6.25%	5.75%
Rate of increase in salaries	3.25%	3.50%
Inflation rate	2.00%	2.00%
Assumptions for disclosure:		
Discount rate	5.75%	6.25%
Expected rate of return on plan assets	5.75%	6.25%
Rate of increase in salaries	3.25%	3.25%
Inflation rate	2.00%	2.00%

(iii) City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses in accordance with the criteria set-out under the applicable by-laws. As at December 31, 2014, there were 2 (2013 – 3) active members with an average age of 67.4 (2013 – 68). There were also 3,619 (2013 – 3,845) pensioners with an average age of 79.3 (2013 – 78.7) and 2,577 (2013 – 2,650) spousal beneficiaries in receipt of a pension, with an average age of 81.8 (2013 – 81.5). Pension payments and refunds during the year were approximately $154,653 (2013 – $161,451).

Given that all remaining members in the Plans have over 35 years of service, there are no contributions being made into the Plans. The City made special payments of $9.5 million into two of the Plans (Police and York) on account of solvency deficiencies.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2014. The accrued benefit obligation as at December 31, 2014 is based on actuarial valuations for accounting purposes as at December 31, 2014. The actuarial gains or losses in each of the five plans are accounted for in 2014.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.50% per annum (2013 -2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2013 – 3.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2014 accrued benefit obligation is 5.50% (2013 – 5.80%) and the discount rate used to determine the fiscal year 2014 benefit cost is 5.80% (2013 – 5.70%).

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.50% (2013 – 5.80%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 11.80% (2013 – 12.80%). The pension plans hold the following mix of assets: Cash and equivalents 4.6%, Bonds and Fixed Income 42.5%, Canadian equities 39.1%, and foreign equities 13.8%.

As at December 31, 2014 all plans (2013 – four plans), the Toronto Civic Employees Pension Plan, the Metropolitan Toronto Pension Plan, the Toronto Firefighters Pension Plan, the City of York Employees Pension Plan, and Metropolitan Toronto Police Pension Plan are in a surplus position (shaded in the table below). Since there is uncertainty about the City's right to this accrued benefit asset, these amounts have not been reflected in the Consolidated Statement of Financial Position.

	2014	2014	2014	2013
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	347,494	265,611	81,883	59,293
Metropolitan Toronto Pension Plan	537,833	482,233	55,600	16,417
Toronto Firefighters Pension Plan	247,804	221,047	26,757	8,154
City of York Employee Pension Plan	46,221	44,478	1,743	572
Metropolitan Toronto Police Pension Plan	565,075	530,495	34,580	(7,969)
Total of plans in deficit				**(7,969)**

14. Tangible capital assets

Tangible capital assets consist of the following:

	2014			2013
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,561,516	-	3,561,516	3,547,683
Land Improvements	682,597	363,434	319,163	327,523
Buildings and building improvements	7,241,321	2,766,822	4,474,499	4,140,541
Machinery and equipment	1,937,890	1,194,179	743,711	712,364
Motor vehicles	2,179,234	1,416,785	762,449	684,398
Total General	**15,602,558**	**5,741,220**	**9,861,338**	**9,412,509**
Infrastructure				
Land	137,910	-	137,910	137,914
Buildings and building improvements	594,881	145,463	449,418	379,081
Machinery and equipment	1,727,640	966,622	761,018	757,684
Water and wastewater linear	5,536,813	2,070,630	3,466,183	3,381,808
Roads linear	4,155,446	2,007,156	2,148,290	2,112,908
Transit	6,190,149	3,495,548	2,694,601	2,533,532
Total Infrastructure	**18,342,839**	**8,685,419**	**9,657,420**	**9,302,927**
Assets under construction	**5,451,183**	**-**	**5,451,183**	**4,670,845**
Total	**39,396,580**	**14,426,639**	**24,969,941**	**23,386,281**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements include outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases from TCHC totaling $9,607 (2013 - $11,334).

Contributed (Donated) Tangible Capital Assets
Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at nil (2013 - $2,903) for land, $473 (2013 - nil) of land improvements, and $271 for machinery and equipment (2013 - nil).

Tangible Capital Assets Recognized at Nominal Value
Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures
The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets
Capital asset condition and state of good repair reviews are conducted on a regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

15. Inventories and Prepaid Expenses

	2014	2013
	$	$
Prepaid Expenses	93,027	94,184
Inventories	146,427	144,728
Inventories of Surplus Property	133,995	96,892
	373,449	335,804

16. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) On October 8, 2013 the City reconfirmed its support for a Scarborough subway extension and directed staff to negotiate an agreement with the Province and Metrolinx regarding repayment of any costs undertaken by Metrolinx on the Scarborough LRT project under the Master Agreement, (including any potential costs associated with the LRT vehicle supply contract). The agreement was negotiated and costs of $74,800 (2013 – $80,000) have been accrued, while costs, if any, attributable to the LRT vehicle supply contract are not determinable and subject to negotiations.

c) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position in the aggregate amount of $553,901 (2013 – $546,024).

d) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $718,200. At December 31, 2013, 694 hybrid and 395 diesel buses had been delivered at a cost of $717,300 which remained consistent as at December 31, 2014. The outstanding commitment as at December 31, 2014 of $900 is expected to be extinguished in 2015.

e) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway train sets for the Toronto-York Spadina Subway line extension and 21 replacement train sets. In March 2014, the TTC approved a further purchase of 10 train sets for future ridership growth bringing the total delivery requirement to 80 train sets, with the total contract value of $1,402,700. At December 31, 2014, 59 train sets had been delivered at a cost of $1,132,700. The outstanding commitment as at December 31, 2014 is $270,000.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs"). As at December 31, 2014 the total contract cost was $1,009,300. As at December 31, 2014, five LRV's had been delivered and TTC had incurred costs of $488,200. The balance of deliveries will continue in 2015 with all 204 cars scheduled for delivered by 2019. At December 31, 2014, the outstanding commitment is $521,100.

g) In July 2012, a contract was awarded by the TTC for purchase of 27 60-foot Articulated Low Floor Clean Diesel Buses. In March 2013, TTC approved an amendment to the contract authorizing the purchase of additional 126 60-foot Articulated Low Floor Clean Diesel Buses and on April 30, 2014 a subsequent contract was awarded for additional 55 60-foot low floor clean diesel buses bringing the total delivery requirement to 208 buses for a total contract cost of $171,700. At December 31, 2014, 152 buses had been delivered at a cost of $132,900. The balance of deliveries is scheduled for 2015. At December 31, 2014, the outstanding commitment is $38,800.

h) At December 31, 2014, the TTC has other various capital project contractual commitments of $1,788,800 (2013 – $1,122,800). Of this amount, $196,400 (2013 – $43,800) relate to multi-component shared projects for Toronto Waterfront, contractual commitments of $428,400 (2013 – $676,400) relate to the Toronto York Spadina Subway Extension project and $1,164,000 (2013 – $402,600) relate to various TTC construction projects.

i) The TTC has a provision for environmental costs of $6,750 (2013 – $14,500) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position.

j) Build Toronto has an environmental provision costs of $17,325 (2013 – $17,498) to cover estimated costs based on third-party engineering reports of the likely cost to remediate or mitigate current known site conditions. Costs are assessed on a site by site basis and range from full removal of historical fills to risk assessment and management measures to reduce remedial requirements. Provisions for environmental costs are recorded in other liabilities (Note 9) on the Consolidated Statement of Financial Position.

k) The Ministry of the Environment has issued Certificates of Approval for 29 (2013 – 29) of the identified 160 (2013 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 10).

l) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The total amount of all line of credits provided by the City under the policy for operating line of credit guarantees is limited to $10 million in the aggregate. The total amount of all capital loan guarantees provided by the City under the policy for capital loan guarantees is limited to $300 million in the aggregate, with individual loan guarantees being limited to a maximum of $10 million. The total amount of all direct loans provided by the City under the policy for direct City loans is limited to $125 million in the aggregate. At December 31, 2014 the City had provided capital loan guarantees to certain third parties amounting to $42,124 (2013 – $61,716), and operating loan and line of credit guarantees of $3,905 (2013 – $4,000), primarily related to several cultural non-profit organizations.

m) At December 31, 2014, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2015	55,528
2016	44,123
2017	29,435
2018	22,568
2019	17,727
Thereafter	62,378
	231,759

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2014	2013
	$	$
Invested in tangible capital assets (Note 14)	24,969,941	23,386,281
Operating fund	2,716,206	2,692,681
Capital fund	(1,021,375)	(867,042)
Reserves and reserve funds	1,963,671	2,117,607
	28,628,443	**27,329,527**
Amounts to be recovered from future revenues:		
Mortgages (Note 11)	(579,405)	(640,984)
Net long-term debt (Note 12)	(4,178,512)	(3,856,165)
Recoverable from TDSB (Note 12)	17,013	22,410
Landfill closure and post-closure liabilities (Note 10)	(139,316)	(123,773)
Employee benefits (Note 13)	(3,410,247)	(3,166,482)
Other	(390,322)	(404,862)
	(8,680,789)	(8,169,856)
	19,947,654	**19,159,671**

Reserves and reserve funds consist of the following:

	2014	2013
	$	$
Reserves:		
Corporate	574,422	789,277
Stabilization	231,441	194,939
Water and Wastewater	142,589	135,350
Donations	1,285	1,274
	949,737	**1,120,840**
Reserve Funds:		
Employee Benefits (Note 13)	234,255	212,105
Corporate	483,468	500,584
Community Initiatives	94,108	92,570
State of Good Repair	202,103	191,508
	1,013,934	996,767
Total Reserves and Reserve Funds	**1,963,671**	**2,117,607**

18. Budget Data

Budget data presented in these consolidated financial statements are based upon the 2014 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The following chart reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,727,407
Capital	2,947,352
Reserve	42,860
	12,717,619
Adjustments:	
Proceeds on debt issue	(1,146,925)
Total revenue	**11,570,694**
Expenses	
Approved budgets:	
Operating	9,422,085
Capital	3,649,870
	13,071,955
Adjustments:	
Tangible Capital Assets (TCA)	(2,791,962)
Amortization	869,207
Debt principal repayments	(204,468)
Total expenses	**10,944,732**
Annual surplus	**625,962**

19. Funding Transfers from Other Governments

	2014	2013
By Function	**$**	**$**
General government	147,102	147,399
Protection to persons & property	43,305	36,472
Transportation	510,454	629,639
Environmental services	42,481	40,282
Health services	285,084	274,687
Social and family services	1,465,966	1,478,053
Social Housing	225,396	277,356
Recreation and cultural services	13,162	48,439
Planning and development	19,162	19,831
	2,752,112	**2,952,158**

	2014	2013
By Source	**$**	**$**
Operating Transfers:		
Federal	206,923	218,799
Provincial	1,984,065	2,058,548
Other	27,124	34,833
	2,218,112	2,312,180
Capital Transfers:		
Federal	245,918	271,140
Provincial	237,545	303,959
Other	50,537	64,879
	534,000	639,978
Total	**2,752,112**	**2,952,158**

20. Expenses by Object

Expenses by object comprise the following:

	2014	2013
	$	$
Salaries, wages and benefits	5,349,900	4,972,018
Materials	918,934	918,231
Contracted services	1,793,882	1,627,179
Interest on long-term debt	313,318	298,800
Transfer payments	1,000,937	1,368,597
Amortization (Schedule 1)	871,099	847,090
Other	213,564	178,976
	10,461,634	**10,210,891**

21. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, corporations, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These groups are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.
- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcement, and preserving peace and good order.
- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.
- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.
- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies and corporations for the City of Toronto.

22. Trust Funds

Trust funds administered by the City amounting to $24,625 (2013 - $24,462) have not been included on the Consolidated Statement of Financial Position nor have their operations been included in the Statement of Operations and Accumulated Surplus. Trust fund balances as at December 31 are as follows:

	2014	2013
	$	$
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,514	7,490
Homes for the Aged Trust Fund - Residents	6,216	6,113
Community Centre Development Levy Trust Fund - Railway Lands	4,837	4,774
Community Services Levies Trust Fund	1,225	1,209
Contract Aftercare Trust Fund	1,091	1,082
Waterpark Place Trust Fund	1,089	1,076
Music Garden Trust Fund	613	614
Development Charges Trust Fund - Queen's Quay	548	541
Heritage and Culture Trust Funds	407	402
Regent Park Legacy Trust	297	-
Lakeshore Pedestrian Bridge Trust Fund	251	248
Children's Greenhouse Trust Fund - Allan Gardens	114	112
Green Lane Small Claims Trust Fund	109	108
Preservation Trust Fund	52	51
Hugh Clydesdale Trust Fund	45	45
Michael Sansone Trust Fund	43	43
Police Trust Funds	39	(9)
Tenant Displacement Trust Fund	28	28
Ontario Home Renewal Project	22	22
90 Lisgar Street Trust Fund	20	20
Eastview Neighbourhood Trust Fund	2	18
Library Development Levy Trust Fund - Railway Lands	-	386
Candidates' Municipal Election Surpluses Trust Fund	-	28
Other trust funds	63	61
	24,625	**24,462**

23. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2014.

Consolidated Schedule of Tangible Capital Assets - SCHEDULE 1

As at and for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

	2014									
	Cost 2014					Accumulated Amortization 2014				Net Book Value 2014
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,547,683	23,757	(9,924)	-	3,561,516	-	-	-	-	3,561,516
Land Improvements	674,069	8,856	(801)	473	682,597	346,546	17,669	(781)	363,434	319,163
Buildings and building improvements	6,693,410	534,878	13,033	-	7,241,321	2,552,869	224,566	(10,613)	2,766,822	4,474,499
Machinery and equipment	1,829,304	169,820	(61,505)	271	1,937,890	1,116,940	138,215	(60,976)	1,194,179	743,711
Vehicles	2,048,110	197,451	(66,327)	-	2,179,234	1,363,712	118,304	(65,231)	1,416,785	762,449
Total General	**14,792,576**	**934,762**	**(125,524)**	**744**	**15,602,558**	**5,380,067**	**498,754**	**(137,601)**	**5,741,220**	**9,861,338**
Infrastructure										
Land	137,914	-	(4)	-	137,910	-	-	-	-	137,910
Buildings and building improvements	516,977	77,904	-	-	594,881	137,896	7,567	-	145,463	449,418
Machinery and equipment	1,678,290	49,689	(339)	-	1,727,640	920,606	46,033	(17)	966,622	761,018
Water and wastewater linear	5,385,075	152,778	(1,040)	-	5,536,813	2,003,267	67,991	(628)	2,070,630	3,466,183
Roads linear	4,054,471	128,979	(28,004)	-	4,155,446	1,941,563	89,190	(23,597)	2,007,156	2,148,290
Transit	5,974,839	330,880	(115,570)	-	6,190,149	3,441,307	161,564	(107,323)	3,495,548	2,694,601
Total infrastructure	**17,747,566**	**740,230**	**(144,957)**	**-**	**18,342,839**	**8,444,639**	**372,345**	**(131,565)**	**8,685,419**	**9,657,420**
Assets under construction	**4,670,845**	**1,248,567**	**(468,229)**	**-**	**5,451,183**	**-**	**-**	**-**	**-**	**5,451,183**
TOTAL	**37,210,987**	**2,923,559**	**(738,710)**	**744**	**39,396,580**	**13,824,706**	**871,099**	**(269,166)**	**14,426,639**	**24,969,941**

Consolidated Schedule of Tangible Capital Assets – SCHEDULE 1

As at and for the year ended December 31, 2013

(all dollar amounts in thousands of dollars)

2013

	Cost 2013					Accumulated Amortization 2013				Net Book Value 2013
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,517,960	29,350	(2,530)	2,903	3,547,683	-	-	-	-	3,547,683
Land Improvements	668,115	7,823	(1,869)	-	674,069	325,317	21,436	(207)	346,546	327,523
Buildings and building improvements	6,406,635	289,350	(2,575)	-	6,693,410	2,350,119	205,356	(2,606)	2,552,869	4,140,541
Machinery and equipment	1,676,436	191,765	(38,897)	-	1,829,304	1,005,192	149,112	(37,364)	1,116,940	712,364
Vehicles	1,997,567	69,802	(19,259)	-	2,048,110	1,268,229	114,292	(18,809)	1,363,712	684,398
Total General	**14,266,713**	**588,090**	**(65,130)**	**2,903**	**14,792,576**	**4,948,857**	**490,196**	**(58,986)**	**5,380,067**	**9,412,509**
Infrastructure										
Land	138,118	-	(204)	-	137,914	-	-	-	-	137,914
Buildings and building improvements	473,056	43,921	-	-	516,977	131,373	6,523	-	137,896	379,081
Machinery and equipment	1,657,824	20,466	-	-	1,678,290	875,508	45,098	-	920,606	757,684
Water and wastewater linear	5,182,606	207,818	(5,349)	-	5,385,075	1,941,381	64,613	(2,727)	2,003,267	3,381,808
Roads linear	4,005,866	83,554	(34,949)	-	4,054,471	1,879,534	88,337	(26,308)	1,941,563	2,112,908
Transit	5,665,468	435,346	(125,975)	-	5,974,839	3,399,597	152,323	(110,613)	3,441,307	2,533,532
Total Infrastructure	**17,122,938**	**791,105**	**(166,477)**	**-**	**17,747,566**	**8,227,393**	**356,894**	**(139,648)**	**8,444,639**	**9,302,927**
Assets under construction	**3,896,892**	**1,139,084**	**(365,131)**	**-**	**4,670,845**	**-**	**-**	**-**	**-**	**4,670,845**
TOTAL	**35,286,543**	**2,518,279**	**(596,738)**	**2,903**	**37,210,987**	**13,176,250**	**847,090**	**(198,634)**	**13,824,706**	**23,386,281**

Schedule of Government Business Enterprises – APPENDIX 1

As at and for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Toronto Port Lands Company December 31		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Financial Position								
Assets								
Current	534,323	547,984	71,266	35,397	24,677	31,890	630,266	615,271
Capital	3,492,393	3,049,212	135,965	136,782	359,280	343,385	3,987,638	3,529,379
Other	153,269	144,965	65,090	80,403	-	7,980	218,359	233,348
	4,179,985	**3,742,161**	**272,321**	**252,582**	**383,957**	**383,255**	**4,836,263**	**4,377,998**
Liabilities								
Current	873,344	688,565	14,096	11,289	7,525	7,845	894,965	707,699
Long-term	2,088,522	1,787,128	16,780	13,516	8,291	8,364	2,113,593	1,809,008
	2,961,866	**2,475,693**	**30,876**	**24,805**	**15,816**	**16,209**	**3,008,558**	**2,516,707**
Net equity	**1,218,119**	**1,266,468**	**241,445**	**227,777**	**368,141**	**367,046**	**1,827,705**	**1,861,291**
City's share (Note 5)	**1,194,771**	**1,241,600**	**241,445**	**227,777**	**368,141**	**367,046**	**1,804,357**	**1,836,423**
Results of Operations								
Revenues	3,276,319	3,178,725	134,022	138,409	6,572	7,047	3,416,913	3,324,181
Expenses	3,230,131	3,085,273	75,712	73,729	5,392	5,134	3,311,235	3,164,136
Actuarial gain from Other Comprehensive Income (OCI)	(33,917)	13,918	-	-	-	-	(33,917)	13,918
Net income (loss)	**12,271**	**107,370**	**58,310**	**64,680**	**1,180**	**1,913**	**71,761**	**173,963**
City's share (Note 5)	**12,271**	**107,370**	**58,310**	**64,680**	**1,180**	**1,913**	**71,761**	**173,963**
Distribution to City (Note 5)	-	-	44,642	44,196	86	121	44,728	44,317
Dividends paid to City (Note 5)	60,619	42,995	-	-	-	-	60,619	42,995
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	23,348	24,868	-	-	-	-	23,348	24,868

Consolidated Schedule of Segment Disclosure - Service - 2014 - APPENDIX 2*

for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

	2014									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,329,211	-	-	-	-	-	-	-	-	4,329,211
User charges	45,444	173,356	1,258,437	1,035,494	2,504	54,463	16,663	141,621	25,291	2,753,273
Government transfers	147,102	43,305	510,454	42,481	285,084	1,465,966	225,396	13,162	19,162	2,752,112
Net GBE income	73,281	-	-	-	-	-	-	-	-	73,281
Other	366,976	41,710	229,830	54,048	2,832	19,217	421,636	149,670	55,821	1,341,740
TOTAL REVENUES	**4,962,014**	**258,371**	**1,998,721**	**1,132,023**	**290,420**	**1,539,646**	**663,695**	**304,453**	**100,274**	**11,249,617**
Salaries, wages and benefits	412,087	1,665,742	1,438,163	252,708	344,181	551,332	128,135	513,906	43,646	5,349,900
Materials	133,004	32,038	338,477	108,503	17,233	55,226	136,950	87,672	9,831	918,934
Contracted services	253,115	16,885	592,560	273,289	39,722	333,233	111,332	164,433	9,313	1,793,882
Interest on long-term debt	7,376	11,819	179,573	12,919	943	3,195	69,913	19,053	8,527	313,318
Transfer payments	(123,636)	48,968	(174,543)	102,900	23,551	956,153	117,985	31,893	17,666	1,000,937
Other	43,155	9,292	16,231	36,331	2,565	16,463	22,592	38,095	28,840	213,564
Amortization	72,987	35,330	429,205	132,554	1,296	178	140,808	56,376	2,365	871,099
TOTAL EXPENSES	**798,088**	**1,820,074**	**2,819,666**	**919,204**	**429,491**	**1,915,780**	**727,715**	**911,428**	**120,188**	**10,461,634**
ANNUAL SURPLUS/ (DEFICIENCY)	**4,163,926**	**(1,561,703)**	**(820,945)**	**212,819**	**(139,071)**	**(376,134)**	**(64,020)**	**(606,975)**	**(19,914)**	**787,983**

**Definition of Segments by Service provided in Note 21 - Segmented Information.*

Consolidated Schedule of Segment Disclosure - Service - 2013 - APPENDIX 2*

for the year ended December 31, 2013
(all dollar amounts in thousands of dollars)

	2013									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,168,914	-	-	-	-	-	-	-	-	4,168,914
User charges	44,878	164,769	1,203,380	970,995	2,077	52,567	16,792	158,641	24,444	2,638,543
Government transfers	147,399	36,472	629,639	40,282	274,687	1,478,053	277,356	48,439	19,831	2,952,158
Net GBE income	175,544	-	-	-	-	-	-	-	-	175,544
Other	354,042	37,633	326,173	33,961	3,389	16,255	364,002	152,929	9,016	1,297,400
TOTAL REVENUES	**4,890,777**	**238,874**	**2,159,192**	**1,045,238**	**280,153**	**1,546,875**	**658,150**	**360,009**	**53,291**	**11,232,559**
Salaries, wages and benefits	355,846	1,503,525	1,311,319	244,952	330,918	550,871	124,741	505,501	44,345	4,972,018
Materials	226,660	23,818	322,018	122,555	20,151	76,134	9,814	106,150	10,931	918,231
Contracted services	183,564	22,584	475,529	224,299	39,241	318,826	222,414	128,650	12,072	1,627,179
Interest on long-term debt	13,602	11,928	160,525	13,312	781	4,018	65,787	21,087	7,760	298,800
Transfer payments	(161,177)	42,341	68,223	107,377	21,902	997,053	191,322	75,457	26,099	1,368,597
Other	80,204	13,289	19,603	(5,052)	2,502	16,012	15,071	13,169	24,178	178,976
Amortization	71,712	38,561	412,072	130,901	6,543	178	128,875	55,973	2,275	847,090
TOTAL EXPENSES	**770,411**	**1,656,046**	**2,769,289**	**838,344**	**422,038**	**1,963,092**	**758,024**	**905,987**	**127,660**	**10,210,891**
ANNUAL SURPLUS/ (DEFICIENCY)	**4,120,366**	**(1,417,172)**	**(610,097)**	**206,894**	**(141,885)**	**(416,217)**	**(99,874)**	**(545,978)**	**(74,369)**	**1,021,668**

**Definition of Segments by Service provided in Note 21 - Segmented Information.*

Consolidated Schedule of Segment Disclosure - Entity - APPENDIX 3

for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,329,211	-	-	-	-	-	4,329,211
User charges	1,537,020	31,438	1,103,699	4,344	16,663	60,109	2,753,273
Government transfers	2,504,672	42,760	177,467	5,904	-	21,309	2,752,112
Net GBE income	73,281	-	-	-	-	-	73,281
Other	729,648	22,461	66,237	9,375	407,684	106,335	1,341,740
TOTAL REVENUES	**9,173,832**	**96,659**	**1,347,403**	**19,623**	**424,347**	**187,753**	**11,249,617**
Salaries, wages and benefits	2,661,043	1,063,723	1,273,486	140,396	128,135	83,117	5,349,900
Materials	493,722	10,769	226,577	13,725	136,950	37,191	918,934
Contracted services	1,254,895	14,073	378,111	17,189	111,332	18,282	1,793,882
Interest on long-term debt **	230,490	10,520	-	-	69,913	2,395	313,318
Transfer payments	2,105,550	262	(665,713)	(172,641)	(255,292)	(11,229)	1,000,937
Other	127,222	3,447	8,973	2,379	22,592	48,951	213,564
Amortization	327,559	29,490	334,248	30,558	140,808	8,436	871,099
TOTAL EXPENSES	**7,200,481**	**1,132,284**	**1,555,682**	**31,606**	**354,438**	**187,143**	**10,461,634**
ANNUAL SURPLUS/ (DEFICIENCY)	**1,973,351**	**(1,035,625)**	**(208,279)**	**(11,983)**	**69,909**	**610**	**787,983**

*** As at December 31, the City has issued $2,859,529 in debentures for capital expenditures made on behalf of the TTC (2013: $2,467,505). Included in interest on long-term debt is $129,061 related to this debt.*

Consolidated Schedule of Segment Disclosure - Entity - APPENDIX 3

for the year ended December 31, 2013
(all dollar amounts in thousands of dollars)

2013

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies and Corporations	TOTAL
Taxation	4,168,914	-	-	-	-	-	4,168,914
User charges	1,465,163	7,038	1,067,442	4,548	16,792	77,560	2,638,543
Government transfers	2,678,446	35,952	209,792	6,137	-	21,831	2,952,158
Net GBE income	175,544	-	-	-	-	-	175,544
Other	746,613	20,746	77,707	23,126	362,017	67,191	1,297,400
TOTAL REVENUES	**9,234,680**	**63,736**	**1,354,941**	**33,811**	**378,809**	**166,582**	**11,232,559**
Salaries, wages and benefits	2,506,185	998,518	1,147,111	138,962	104,223	77,019	4,972,018
Materials	617,982	7,826	211,798	15,683	9,814	55,128	918,231
Contracted services	1,151,095	14,508	202,552	22,259	222,414	14,351	1,627,179
Interest on long-term debt **	221,450	10,057	-	-	65,787	1,506	298,800
Transfer payments	2,212,008	(1,064)	(449,239)	(170,886)	(246,920)	24,698	1,368,597
Other	86,945	4,228	29,447	2,270	15,071	41,015	178,976
Amortization	328,321	32,473	318,793	29,544	128,875	9,084	847,090
TOTAL EXPENSES	**7,123,986**	**1,066,546**	**1,460,462**	**37,832**	**299,264**	**222,801**	**10,210,891**
ANNUAL SURPLUS/ (DEFICIENCY)	**2,110,694**	**(1,002,810)**	**(105,521)**	**(4,021)**	**79,545**	**(56,219)**	**1,021,668**

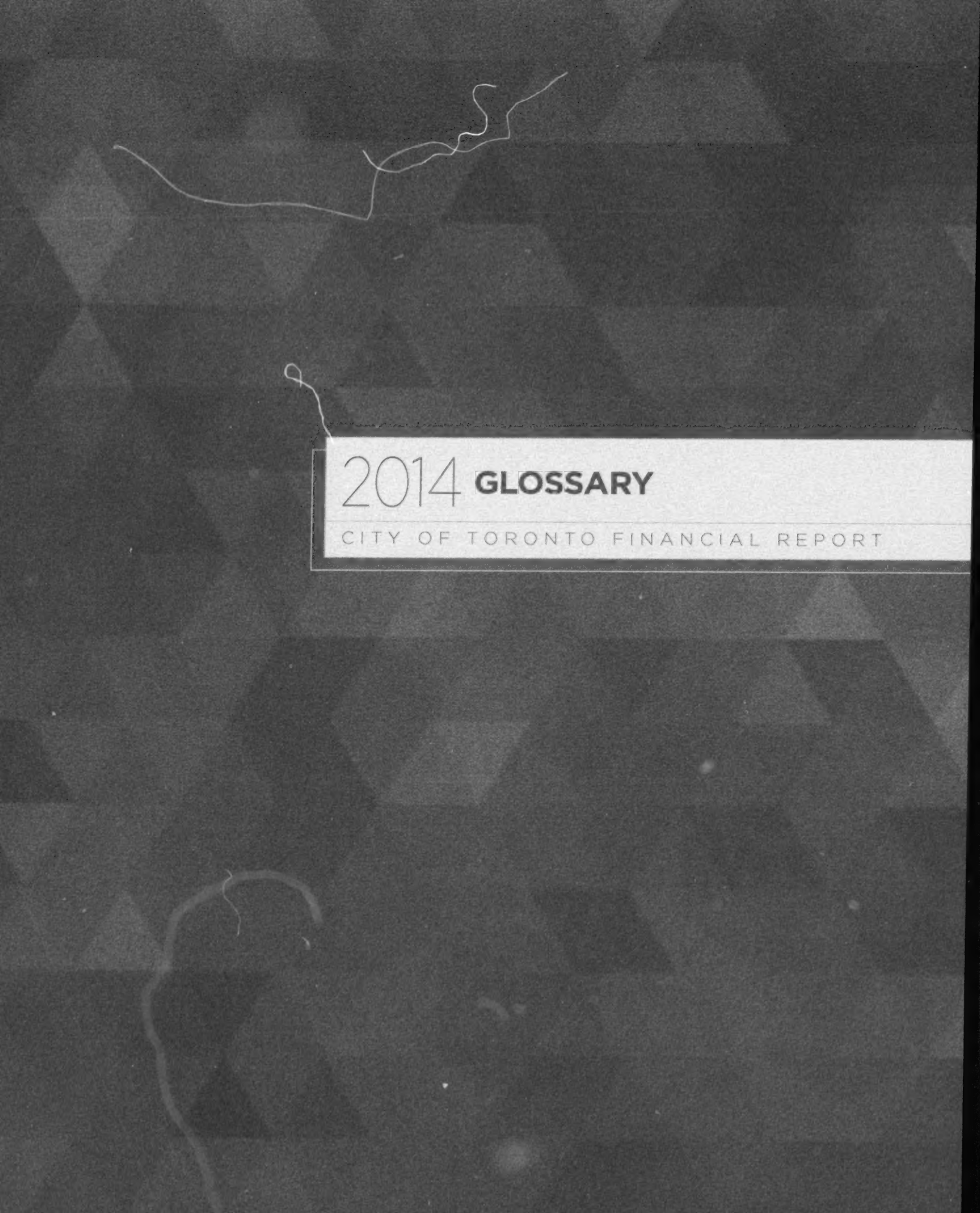
*** As at December 31, the City has issued $2,467,505 in debentures for capital expenditures made on behalf of the TTC (2012: $2,470,165). Included in interest on long-term debt is $121,133 related to this debt.*

Consolidated Schedule of Segment Disclosure - Tangible Capital Assets by Entity - APPENDIX 4

for the year ended December 31, 2014
(all dollar amounts in thousands of dollars)

2014 and 2013

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Public Library	Other Agencies and Corporations	TOTAL
2014						
General						
Cost	7,091,938	4,156,305	3,728,620	437,105	188,590	15,602,558
Accumulated amortization	1,931,828	2,254,037	1,327,015	160,198	68,142	5,741,220
Net Book Value	**5,160,110**	**1,902,268**	**2,401,605**	**276,907**	**120,448**	**9,861,338**
Infrastructure						
Cost	12,152,689	6,190,150	-	-	-	18,342,839
Accumulated amortization	5,189,871	3,495,548	-	-	-	8,685,419
Net Book Value	**6,962,818**	**2,694,602**	**-**	**-**	**-**	**9,657,420**
Assets under construction	**1,746,072**	**3,455,219**	**115,724**	**8,663**	**125,505**	**5,451,183**
Total	**13,869,000**	**8,052,089**	**2,517,329**	**285,570**	**245,953**	**24,969,941**
2013						
General						
Cost	6,845,342	3,818,646	3,543,886	400,889	183,813	14,792,576
Accumulated amortization	1,851,954	2,117,654	1,197,465	153,147	59,847	5,380,067
Net Book Value	**4,993,388**	**1,700,992**	**2,346,421**	**247,742**	**123,966**	**9,412,509**
Infrastructure						
Cost	11,772,725	5,974,841	-	-	-	17,747,566
Accumulated amortization	5,003,333	3,441,306	-	-	-	8,444,639
Net Book Value	**6,769,392**	**2,533,535**	**-**	**-**	**-**	**9,302,927**
Assets under construction	**1,481,487**	**2,953,738**	**122,110**	**20,154**	**93,356**	**4,670,845**
Total	**13,244,267**	**7,188,265**	**2,468,531**	**267,896**	**217,322**	**23,386,281**



2014 GLOSSARY

CITY OF TORONTO FINANCIAL REPORT

Glossary

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay. This is also known as the full accrual basis of accounting. Prior to 2009, municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's financial and non-financial assets and its liabilities. The accumulated surplus represents the net financial and physical assets / resources available to provide future services. It is the sum of amounts invested in: tangible capital assets; the operating, capital, reserve and reserve funds; net of amounts to be recovered from future revenues.

Agencies and Corporations: The City's agencies, boards and corporations are referred to as agencies and corporations.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Assets: have three essential characteristics: (a) they embody a future benefit that involves a capacity, singly or in combination with other assets, to provide future net cash flows, or to provide goods and services; (b) the government can control access to the benefit; and (c) the transaction or event giving rise to the government's control of the benefit has already occurred.

Bankers Acceptance (BA): a short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget – operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget – capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): a Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

COLA: Cost of Living Adjustment

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contra-account: an account in the financial records that offsets or reduces the balance of a related account. For example, Accumulated Amortization of an asset class is contra to the Tangible Capital Asset account for that same class.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer at the assessment date.

DBRS: is a credit rating agency know as Dominion Bond Rating Service (DBRS). It is a bond rating service.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation to another entity from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remained unspent at year end. These amounts are shown with liabilities and are recognized in revenue when the revenues are earned, which may include spending the monies for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability – Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability – Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average Remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains, or larger than the gross liability when gains exceed losses.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

IAS: International Accounting Standards

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRS is now available in part I of the CICA Handbook.

Jointly Sponsored Pension Plan: a jointly sponsored pension plan is a pension plan where members and the entity (TTC) share responsibility for plan governance, plan administration, and plan terms, including funding of the plan.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation, in the event of default by the borrower.

LRT: Light Rail Transit.

LRVs: Light Rail Vehicles.

LTD: Long Term Disability.

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

OW: Ontario Works financial assistance, and employment assistance.

PBF: Public Budget Formulation system.

Prepaid Expenses: Prepaid expenses are non-financial assets which result when payments are made in advance of the receipt of goods or services. Prepaid expenses may arise from payments for insurance premiums, leases, professional dues, memberships and subscriptions.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

S&P: Standard & Poor's (S&P) – is a financial service company that publishes financial research analysis in stocks and bonds. It is known for its stock market indices.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Subordinated debt: Debt which ranks after other debts should a company fall into liquidation or bankruptcy.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: the Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: the Toronto Community Housing Corporation

TDSB: the Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Port Lands Company (TPLC)

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

TPASC: Toronto Pan Am Sports Centre

TPLC: see TEDCO

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: the Toronto Transit Commission

TWRC: the Toronto Waterfront Revitalization Corporation

Unamortized Gain or Loss: the amount of actuarial gains or losses, relating to gains or losses upon valuation of pension or employee future liabilities, which will be recognized in income over the expected average remaining service life of the employee group.

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIA: the Workplace Safety and Insurance Act

WSIB: the Workplace Safety and Insurance Board

2014 STATISTICAL INFORMATION

CITY OF TORONTO FINANCIAL REPORT

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2014	2013	2012	2011	2010
Population (Note 1)	2,808,503	2,771,770	2,741,775	2,704,622	2,676,148
Households (Note 1)	1,125,391	1,110,672	1,098,653	1,083,765	1,036,850
Areas in square kilometres	634	634	634	634	634
Full-time employees	44,807	44,506	43,970	45,388	46,228
Housing Starts	11,671	15,618	25,416	18,972	13,425
Building Permit Values	$8,791,779	$8,784,032	$7,286,017	$8,514,926	$10,167,238
TAXATION ASSESSMENT UPON WHICH TAX RATES WERE SET (Note 2)					
Residential, Multi-residential, New Multi-residential, Farmlands, and Managed Forest	$383,083,723	$358,492,808	$336,408,271	$328,192,641	$294,740,597
Commercial, Industrial and Pipeline	$95,292,597	$90,686,368	$86,027,525	86,108,916	73,907,329
TOTAL	**$478,376,321**	**$449,179,176**	**$422,435,796**	**$414,301,557**	**$368,647,926**
Total per capita	$170,331	$162,055	$154,074	$153,183	$137,753
TAX RATES (URBAN AREA) (Note 2) Residential, New Multi-Residential, Farmlands and Managed Forest (expressed in %) Note – Full Rate Only					
City purposes	0.5200085%	0.5337653%	0.5501981%	0.5619218%	0.5895702%
School board purposes	0.2030000%	0.2120000%	0.2210000%	0.2310000%	0.2410000%
TOTAL	**0.7230085%**	**0.7457653%**	**0.7711981%**	**0.7929218%**	**0.8305702%**
Multi-Residential (expressed in %)					
City purposes	1.5980491%	1.6981011%	1.7950082%	1.8635584%	1.9552517%
School board purposes	0.2030000%	0.2120000%	0.2210000%	0.2310000%	0.2410000%
TOTAL	**1.8010491%**	**1.9101011%**	**2.0160082%**	**2.0945584%**	**2.1962517%**
Commercial (expressed in %)					
City purposes	1.6056690%	1.6716412%	1.7455255%	1.8257360%	1.9367482%
School board purposes	1.2921380%	1.3638850%	1.4360970%	1.5404080%	1.6615560%
TOTAL	**2.8978070%**	**3.0355262%**	**3.1816225%**	**3.3661440%**	**3.5983042%**
Industrial (expressed in %)					
City purposes	1.6006027%	1.6662458%	1.7385006%	1.8203441%	1.9900160%
School board purposes	1.3399890%	1.3888080%	1.4491840%	1.5657920%	1.7040030%
TOTAL	**2.9405917%**	**3.0550538%**	**3.1876846%**	**3.3861361%**	**3.6940190%**
Pipeline (expressed in %)					
City purposes	1.0002695%	1.0267316%	1.0583411%	1.0808925%	1.1340760%
School board purposes	1.5318740%	1.5580410%	1.5875130%	1.6371510%	1.6890270%
TOTAL	**2.5321435%**	**2.5847726%**	**2.6458541%**	**2.7180435%**	**2.8231030%**

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2014	2013	2012	2011	2010
TAXES RECEIVABLE, END OF THE YEAR					
Amount	$252,367	$239,516	$224,878	$244,209	$300,387
Per Capita	$90	$86	$82	$90	$112
NET LONG-TERM DEBT– END OF YEAR					
Amount	$4,178,512	$3,856,165	$3,699,256	$3,264,220	$2,890,472
Per Capita	$1,488	$1,391	$1,349	$1,207	$1,080
INTEREST CHARGES FOR NET LONG-TERM DEBT					
Amount	$275,708	$257,627	$243,682	$221,072	$221,663
Per Capita	$98	$93	$89	$82	$83
LONG-TERM DEBT SUPPORTED BY PROPERTY TAXES					
Gross Long-Term Debt	$4,757,917	$4,497,149	$4,431,481	$4,037,810	$3,694,108
Net Long-Term Debt (Net of Sinking Fund deposits)	$4,178,512	$3,856,165	$3,699,256	$3,264,220	$2,890,472
LONG-TERM DEBT AND MORTGAGES CHARGES (includes principal repayments, interest on long-term debt and interest earned on sinking funds)					
Amount	$669,400	$666,311	$628,241	$563,294	$1,179,542
Percentage of Total Consolidated Expenses	6.40%	6.53%	6.25%	5.49%	11.51%
LEGAL DEBT LIMIT (Note 3) (15% of Property Tax Levy)					
Property Tax Levy Amount	$3,768,009	$3,698,736	$3,701,304	$3,457,436	$3,462,011
Debt Limit	$565,201	$554,810	$555,196	$518,615	$519,302
TAXES COLLECTED					
City Collection	$4,201,770	$4,103,183	$4,106,755	$4,029,667	$3,917,991
Taxes Transferred to the School Board	1,841,707	1,813,572	1,895,139	1,906,588	1,886,726
TOTAL	**$6,043,477**	**$5,916,755**	**$6,001,894**	**$5,936,255**	**$5,804,717**
TRUST FUNDS BALANCE – END OF YEAR	**$47,898**	**$46,474**	**$46,514**	**$45,993**	**$46,743**

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2014	2013	2012	2011	2010
SUMMARY OF CONSOLIDATED REVENUES AND EXPENSES (Note 4)					
CONSOLIDATED OPERATIONS					
REVENUE BY SOURCE					
Residential and Commercial property taxation	$3,768,009	$3,696,738	$3,701,304	$3,457,436	$3,462,011
Municipal Land Transfer Tax	449,604	360,884	349,798	324,065	278,980
Taxation from other government	111,598	111,292	106,600	98,596	108,656
User Charges	2,753,273	2,638,543	2,482,754	2,436,025	2,355,963
Funding transfers from other governments	2,752,112	2,952,158	3,054,218	3,148,351	3,173,242
Government business enterprise earnings	73,281	175,544	180,097	188,041	153,294
Investment Income	270,603	232,244	246,760	248,397	265,990
Development Charges	132,523	164,004	141,133	94,952	92,162
Rental and Concessions	426,929	438,698	395,470	386,073	372,959
Other	511,685	462,454	817,526	604,560	540,861
TOTAL	**$11,249,617**	**$11,232,559**	**$11,475,660**	**$10,986,496**	**$10,804,118**
CONSOLIDATED EXPENSES BY FUNCTION (Note 4)					
General Government	$798,088	$770,411	$646,346	$887,937	$773,860
Protection to persons and property	1,820,074	1,656,046	1,558,447	1,667,615	1,569,710
Transportation	2,819,666	2,769,289	2,828,174	2,642,260	2,833,944
Environment Services	919,204	838,344	810,859	834,088	883,897
Health Services	429,491	422,038	397,210	399,207	401,271
Social and family services	1,915,780	1,963,092	1,999,896	2,032,670	2,040,833
Social housing	727,715	758,024	850,026	804,577	818,287
Recreation and cultural services	911,428	905,987	861,716	847,271	795,910
Planning and development	120,188	127,660	96,533	143,636	132,562
TOTAL	**$10,461,634**	**$10,210,891**	**$10,049,207**	**$10,259,261**	**$10,250,274**
ANNUAL SURPLUS	**$787,983**	**$1,021,668**	**$1,426,453**	**$727,235**	**$553,844**
ACCUMULATED SURPLUS (Note 4)					
Financial Assets	$8,432,345	$8,554,867	$8,259,997	$7,283,091	$6,513,984
Liabilities	13,828,081	13,117,281	12,505,032	11,672,374	10,899,622
Net Debt	(5,395,736)	(4,562,414)	(4,245,035)	(4,389,283)	(4,385,638)
Non-Financial Assets	25,343,390	23,722,085	22,410,101	21,030,694	19,870,692
Accumulated Surplus	**$19,947,654**	**$19,159,671**	**$18,165,066**	**$16,641,411**	**$15,485,054**

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

	2014	2013	2012	2011	2010
CONSOLIDATED SUMMARY OF FUNDING TRANSFERS FROM OTHER GOVERNMENTS (Note 4)					
Social Assistance	$875,200	$896,038	$920,131	$883,817	$885,319
Child Care Assistance	298,329	277,613	274,771	264,866	264,345
Health Services	171,506	168,727	162,739	162,332	118,669
Social Housing	375,214	445,308	468,977	526,697	544,278
Other	497,863	524,494	411,311	539,545	371,379
Government of Canada Transfer - TTC	245,918	271,140	255,539	329,693	187,120
Government of Canada Transfer - Capital	237,545	303,959	522,330	420,643	303,921
Province of Ontario Transfer - Capital	50,537	64,879	38,420	20,758	405,643
Province of Ontario Transfer - Reserve Funds	-	-	-	-	92,568
TOTAL	**$2,752,112**	**$2,952,158**	**$3,054,218**	**$3,148,351**	**$3,173,242**
CONSOLIDATED EXPENSES BY OBJECT (Note 4)					
Salaries , wages and benefits	$5,349,900	$4,972,018	$5,069,438	$5,053,750	$4,826,928
Materials	918,934	918,231	762,249	879,684	954,741
Contracted Services	1,793,882	1,627,179	1,411,269	1,458,019	1,386,031
Interest on long-term debt & TCHC mortgage	313,318	298,800	287,990	267,240	273,275
Transfer payments	1,000,937	1,368,597	1,414,398	1,480,742	1,463,844
Amortization	871,099	847,090	801,845	814,522	1,018,351
Other	213,564	178,976	302,018	305,304	327,104
TOTAL	**$10,461,634**	**$10,210,891**	**$10,049,207**	**$10,259,261**	**$10,250,274**
RESERVE & RESERVE FUND BALANCE - END OF THE YEAR	**$1,963,671**	**$2,117,607**	**$1,715,128**	**$1,365,006**	**$1,355,092**
TANGIBLE CAPITAL ASSETS (Note 4)					
COST:					
General Assets	$15,602,558	$14,792,576	$14,266,713	$13,828,522	$13,311,835
Infrastructure	18,342,839	17,747,566	17,122,938	16,443,845	15,787,653
Assets under construction	5,451,183	4,670,845	3,896,892	2,971,227	2,376,829
TOTAL	**39,396,580**	**37,210,987**	**35,286,543**	**33,243,594**	**31,476,317**
ACCUMULATED AMORTIZATION					
General Assets	$5,741,220	$5,380,067	$4,948,857	$4,589,901	$4,235,099
Infrastructure	8,685,419	8,444,639	8,227,393	7,954,531	7,652,115
TOTAL	**$14,426,639**	**$13,824,706**	**$13,176,250**	**$12,544,432**	**$11,887,214**
NET BOOK VALUE	**$24,969,941**	**$23,386,281**	**$22,110,293**	**$20,699,162**	**$19,589,103**

FIVE YEAR REVIEW SUMMARY

(Not subject to audit; all dollar amounts are in thousands except per capita figure)
(See accompanying notes and schedules to financial statements)

Note 1: Source of population data and number of households is from the City of Toronto, City Planning Division – which uses the data from the last Annual Demographic Estimate of Statistics Canada. This was updated in 2013 and as a result the prior year numbers have been updated.

Note 2: Taxation related information reflect Current Value Assessment (CVA).

Note 3: Debt Limit is approved by City Council as per the City of Toronto Act (COTA) effective 2007. Debt Limit shall not be greater than 15% of the property tax levy.

Note 4: On January 1, 2013, the City adopted Public Sector Accounting Standard PS 3510, Tax Revenue. This standard was adopted on retroactive basis from the date of adoption. There were no adjustments as a result of adoption of this standard, however, in conjunction with implementation of PS 3510, presentation of solid waste rebates have been regrouped to net against solid waste revenues, as the rate charged is the net amount. The regrouping was done for 2012 and prior years.v

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